CHAPTER I

INTRODUCTION

1.1 Background of the Study

Capital accumulation plays an important role in accelerating the economic growth of a nation, which in terms is basically determined, among others, by saving and investment propensities. However, the capacity to save in the developing countries is quite low with a relatively higher marginal propensity of consumption. As a result, such countries are badly entrapped in to the circle to poverty. So, the basic requirement for the developing countries is raising the level of saving and thus investments.

The basis for the financial planning, analysis and decision-making is the financial information. Financial information is needed to predict, compare and evaluate the firm's earning ability. It is required to aid in economic decision-making. The financial information of an enterprise is contained in the financial statement or accounting reports.

"Financial statement analysis applies analytical tools and techniques to general purpose financial statements and related data to derive to estimates and interferences useful in business decisions. It is a screening tool in selecting investment or merger candidates and is a forecasting tool of future financial conditions and consequences. It is a diagnostic tool in assessing financing, investing and operating activities and is an evaluation tool for managerial and other business decision "Bernsten, Leopard. A, wild john J. (1998; 3)

Financial Statement analysis reduces over reliance on hunches, guesses, and intuition and in turn, it diminishes our uncertainty in decision-making. It does not lesson the need for expert judgment but rather establishes an effective and systematic basis for making business decisions.

Financial statements of a firm mainly include income statement and the balance sheet. They are important source of financial information regarding the firm's operations and its financial position. To analyze the financial performance, strength, and weakness of the firm, many types of tools and techniques are used.

Ratio analysis is one of the very popular and widely used tools of financial analysis. Ratio analysis is done with different ratios which are calculated from the accounting data contained in the financial statement. It is the primary tool for examining the firm's financial position and performance. Ratios are used as yardstick for evaluating the financial condition and performance of the firm.

The financial system in Nepal has from a narrow, repressed regime till the eighties to a dynamic expanding sector in the nineties. Indicators of the last decade show that the sector has growth both quantitatively and qualitatively. It could be observed that, at the same time, the financial market has become more competitive, dynamic and also compels. This constitutionals network and the volume of operations of financial system have expanded and diversified.

Financial performance is convened with analysis of financial statement of the corporation. It shows the real picture of the financial performance mainly depend upon the corporation's past, present and future financial conditions.

So financial performance analysis assists in identifying the major strength and weakness of a firm. It indicated whether a company has enough cash to meet its obligations and ability to utilize properly their available resources. Financial performance analysis can also be used to determine the company’s viability as an ongoing enterprise and enhance the satisfactory return is being earned for the risk taken (Thapa, 2005).

1.2 Background of Nepal Television (NTV)

Nepal Television was established in 2041-10.17 B.S. as a form of project by government ownership under Nepal television broadcasting enterprises act 2028 B.S. Hence its activities are directed by national transmission act 2049 B.S. and regulation 2052 B.S.. It was converted into enterprise in 2042-9-12 B.S. after first successful trial. As an opening days it was transmitted its program on two hours daily brately. NTV transmitted program its own building since 2048 B.S. from Singha Darbar, before that NTV began to transmit the program out of valley or various territory of nation by using Fulchoki transmitting tower since 2044 B.S. After decade NTV began to broadcast the programs by using intalsat transponder terrestrial satellite since 2057-3-20 B.S.. NTV has been putting the transmission capacity with in 50 countries since 2063-3-17 B.S. by using Thaicom terrestrial satellite (Annual report of NTV, 2066/67).

Nepal Television is a national T.V. of Nepal. It is government owned TV. Nepal Television is the first TV of our country. It was established 27 years ago in Nepal as a form of project. Television is the youngest and fastest growing media of mass communication in the world. Its program directly reaches into the ears and eyes of the viewers. It is considered as the most effective and impressive media of mass communication as it combines the advantage of both the audio and visual effects (Annual report of NTV, 2066/67).

Nepal television has also another TV channel like NTV2 or NTV metro. It was established as a broadcasting channel since 2060-6-15 B.S. by having Rs. 55 crore subsidy form China to build transmission building. It lunch the most of entertain and sports programmed. NTV has 5 studios, 3 programs production studios, 2 audio daubing studios and 3 transmission or broadcasting rooms. It has 21 TV tower from Mechi to Kali. Similarly, it has 348 staffs (employees) in total, they have created the trade union like Nepal Television Employee Association (NTVEA). They have been secured with engaging personnel insurances by enterprise (Annual report of NTV, 2066/67).

NTV broadcasts 24 hours a day. It covers 70% of the population and 48% of the land. Similarly NTV2 broadcast 18 hour a day, it covers 35% of the population and 25% of the land areas. NTV2 broadcasts from 6 am to 12 am daily. NTV covers mainly news and popular program and NTV2 is famous for entertainment and sports. NTV is using mostly analog based equipments for recording, playing and processing. Terrestrial transmission across the country is fully analog (Annual report of NTV, 2066/67).

NTV is a government ownership enterprises. Government has invest heavy amount i.e. Rs. 1450199624 in the fiscal year 065-66 which is paid up capital of NTV but government gets return always loss. According to fiscal year 2065-66, NTV has beard the loss of Rs. 80317092. The enterprise is managed by the general manager who is appointed by the government by the cause of instable government affects the NTV activities as a result general managers are also instable (Annual report of NTV, 2066/67).

1.3 Statement of Problem

The mushrooming of communication channels in the short span of time has brewed new comparative scenario and has posed a challenge to the previously monopolistic Nepal Television. In the change scenario this television need to explore their strength and weakness and improve their performance because their success depend upon their productivity and financial performance. Various factors affects the financial performance of Nepal television. The basic problem in financial performance of NTV enterprise can be stated as how does it adopt the decision making criteria in relation to the various aspects which affect the financial performance of the enterprise. Thus, this study seeks efficiency and weakness of both banks through different tools. This study will try to seek the answers of the following statements relating to Nepal Television.

i. NTV bears always loss since its establishment time.
ii. NTV has not debt capital (long-term) which is also unsound as a point of view capital structure.
iii. Overstaffing and it creates the high staffs expenditure.
iv. Contribution of advertisement income is so poor is 52.77% of total income in the FY 2066/67.
v. Valuation of fixed assets and depreciation methods are not legally and systematically.

vi. Competition with private TV channels.
vii. Lack of electricity or energy which creates cost rise up.
viii. Political interference into this enterprise which affects the work done.

1.4 Objectives of the Study

The main objective of the study is analyze the financial performance analysis of Nepal Television enterprise with considering various variables like advertisement income, other incomes, staffs expenditure, operating expenditure, total expenditure, assets utilization liquidity position, debtors position, net loss etc. Therefore the following objectives have been considered for study purpose. Thus the objectives are to:

i. Highlight various aspects relating to financial performance of Nepal Television enterprise which has been just stated above.
ii. To examine the break even point of NTV.
iii. Provide feedback to the policy makers and executive working in Nepal Television enterprise based on the finding of the analysis.

1.5 Significance of the Study

The analysis and interpretation of financial statement is an important accounting activities. The significance of analysis lies on the objectives of financial analysis of enterprise. There are different parties interested in it. Different group perceive the fact discovered differently. The fact and the relationship concerning managerial performance, corporate efficiency, financial strength and weaknesses are interpreted on the basis of analysis that leads managements of an enterprise to take crucial decisions regarding financing activities.

The parties that are benefited by the results of analysis can be enumerated as follows:

- Finance manager of NTV
- Economist
- Top management

- Staffs/employees
- Creditors/debtors
- Stakeholders
- Thesis writers, etc.

1.6 Limitations of the Study

The study will be limited by following things:

i. The study has been limited to financial performance analysis of NTV.
ii. Only secondary data has been analyzed to interpret result emerging from decision.
iii. The analysis has been done covering only five years data.
iv. There are many factors that affect the financial performance of the enterprise. Since it is not possible to cover all the factors. Thus the study will be limited to the variables which can be exposed in quantities terms by fitting them into financial and statistical tools of analysis. All possible factors affecting the financial performance of NTV will be reviewed but will not be analyzed.

1.5 Planning of the Study

This study has been done divided into five chapters which are as follows:

Chapter I: Introduction

Chapter one includes concept of financial performance, background of NTV, statement of the problems, objectives of the study, limitation of the study and planning of the study.

Chapter 2: Review of Literature

Chapter two deals with review the issues related to the study which are already published in forms of books, journals, magazine, articles, and unpublished thesis and dissertation.

Chapter 3: Research Methodology

The third chapter includes research methodology used in analysis and the way of presentation of collected data. Specially ratio analysis, cash flow analysis, break even point, pie-chart and multiple bar diagrams tools has been used.

Chapter 4: Analysis and Presentation of Data

In this chapter data are analyzed numerical terms which included last five years data by considering various variables and other related variables.

Chapter 5: Summary, Conclusion and Recommendations

This chapter included summary of the study, conclusion of analysis and recommendation to executive of NTV which may help to enhance the financial work.

CHAPTER II

REVIEW OF LITERATURE

Review of literature comprises upon the existing literature and research related to the present study with a view to find out what had already been studied. “The purpose of the reviewing the literature is to develop some expertise in One’s area, to see what new contribution can be made and to review some idea for Developing research design” (Pant and Wolf; 1996:31-44). This portion has been divided into two parts:

a. Conceptual Framework
b. Review of Related Studies

2.1 Conceptual Review

The modern financial evaluation has greatly affected the role and importance of financial performance. Nowadays, finance is best characterized as ever changing with new ideas and techniques. Only efficient manager of the company can achieve the set up goals. If a bank does not maintain adequate equity capital, it makes the bank more risky. If a bank has inadequate equity capital, it must be used more debt that has high fixed cost. So any firm must have adequate equity capital in their capital structure.

Financial Analysis identifies the financial strength and weakness of the firm with the help of basic financial statement. For this purpose a ratio helps the analysis to make qualify about the firm's financial performances.

"Financial analysis, through the calculation of strategic relations, indicates the strength and weakness of the business. Starting form the existing situation of the firm, the financial manager can proceed to plan future financial requirements by means of the forecasting and budgeting procedure. This study of financial analysis also provides a review of elementary accounting and indicates the nature of the firms operations. An understanding of these matters is required if the financial manager is to meet the requirements of general managements, of investors, of tax authority and of the public finance" (Weston and Brighan, 1966, p. 67).

"Financial analysis the process of identifying the financial strength and weakness of the firm by properly establishing relationship between the items of the balance sheet and the profit and loss accounts" (Pandy, 1991, p. 109).

"The company itself and out side suppliers of capital creditors and investors all undertake financial analysis. The firm's purpose is not only internal control but also better understanding of what capital suppliers seek in financial condition and performance form it (Van Horne, 2000, 691).

"Financial analysis is the process of determining the significant operating and financial characteristics of a firm from accounting data. It makes extensive sue of the financial statements through the different tools" (Hampton, 1998, p. 91). .

"Effective planning and control are central to enhancing enterprise value. Financial plan may take many forms, but any good plans must be related to the firms existing strength and weaknesses. The strength must be understood if they are to be used to proper advantage and the weaknesses must be recognize its corrective actions is to be taken" (Weston and Copeland, 1990: 185).

"Financial analysis is the process of determining financial strength and weaknesses of the company by establishing strategic relationship between the components of balance sheet and profit and loss statement and others operative data. Financial analysis is thus an attempt to dissect the financial statement into their components on the basis of the purpose in hand and establish relationship as between these components on the one hand and as between individuals components and total of these items, of the others" (Srivastava, 1985, p. 57).

"The essence of financial analysis is to convert data into useful, information in a way relevant to measure significant relationship for undertaking the decisions. This needs the fulfillment of some of the essence that constitute a good financial statement as well as a good financial analysis. In the absence of these consideration, contradictory and unfavorable result may leads to wrong conclusions. It includes generality of purpose, comparison, analytical presentation, relevance, promptness, clarity, art of interpretation" (Shrestha, 1980, p. 192).

If management is to maximize a firm's value, it must take advantage of the firm's strengths and correct its weaknesses. Financial statements analysis involves comparing the firms performance with that of other firms in the same industry and evaluating trends in the firm's financial position overtime. these studies help managers identify deficiencies and then take action to improve performance.(Brigham & Ehrhardt,2005).

The management employs financial analysis for the purpose of internal control and to better provide what capital suppliers seeks in financial condition and performance from the firm. From an internal control stand point, management needs to undertake financial analysis in order to plan and control effectively. To plan for the future , the financial manager must assess the firm's present financial position and evaluate opportunities in relation to current position. To internal control the financial manager is particularly concerned with return on investment provided by the various assets of the company and with efficiency of assets management. (Vane Horne & Wachowicz, 2007,p.126)

The focus of financial analysis is on key figures contained in the financial statement and the significant relationship that exists between them. Analyzing financial statement is a process of evaluating relationship between component parts of financial statements to obtain a better understanding of a firm's position and performance. The purpose of evaluation of financial statements differ among various groups (creditors, management, government, trade union etc) interested in the result and relationship reported in the financial statements (Khan & Jain, 1990, p116)

Financial statement analysis is largely a study of relationship among the various financial factors in a business as disclosed by a single set of statements and a study of the trends of these factors as shown in a series of statements. The main function of financial analysis is the pinpointing of the strengths and weaknesses of a business undertaking by regrouping and analysis of figures contained in financial statements by making comparison of various components and by examining their content. This can be used by the financial manager as the basis to plan future financial requirements by means of forecasting and budgeting procedures.(Man Mohan & Goyal,1982,p356)

2.2 Review of Company Act, 2063

Accounts and Records of Company

A. Accounts of company: Every company shall duly maintain its accounts in the Nepali or the English language.

The accounts shall be maintain according to the double entry systems of accounting and in consonance with the accounting standard enforced by the competent body under the prevailing law and with such other terms and provisions required to be observed pursuant to this acts in such a manner as to clearly reflect the actual attains of the company.

The books of accounts of a company shall not be kept at any place other than its registered office except with the approval of the office.

The cash balance of company, other than the amount of specified by the board of directors, shall be deposited in a bank and transaction shall be done through the bank.

The directors other officers shall have the final responsibility to maintain books of account and records of the company.

Where there is a default in complying with the provisions made in this act in respect of the preparation of books of account and annual financial statement of a company, the director of officer him/herself, during whose tenure the annual financial statements and other reports have been prepared, shall be responsible under this act.

B. Annual financial statement and report of board of director

i. The following annual financial statement shall be prepared by the board of directors of a public company every year at least thirty days prior to the holding of its annual general meeting and in the case of a private company within six months of the expiry of its financial year.

   a. Balance sheet at the last date of the financial year.

   b. Profit and loss account of the financial year.

   c. Description of cash flow of the financial year.

ii. This annual financial statement to be prepared pursuant to section (i) shall give true and fair view of the state of affairs of the company as at the last days of the financial year concerned and also state the account of profit and loss and description of cash flow made in that financial year. Such financial statement shall be prepared in the format prescribed by the prevailing law.

iii. The annual financial statements as referred to in section (i) shall have to be approved by the board of directors and audited.

iv. the board of directors of every public company or every private company with the paid-up capital of ten million on rupees or more of with an annual turnover of ten million rupees or more shall also prepare a separate report of board of directors during the period stating the following matters in addition to the annual financial statements required to be prepared pursuant to section (i):

   a. Review of the transactions of the previous year.

   b. Impacts, if any, caused on the transactions of the company from national and international situations.

   c. Achievement in the current year as at the date of report and opinions of the board of directors on matters to be done in the future,

d. Industrial or professional relations of the company.

e. Altercation in the board of directors and the reason, therefore,

f. Major things affecting the transactions,

g. If there are any remarks in the audit reports the comments of the board of directors on such remarks

h. Amount recommended for payment by way of dividend,

i. In the event of forfeiture of shares, details regarding the number of forfeited shares, face future of such shares, total amount received by the company for such shares, prior to the forfeiture, therefore proceeds of sales of such shares after the forfeiture thereof, and refund of amount if any, made for such forfeiture shares,

j. Progress of transactions of the company and of its subsidiary company in the previous financial year and review of the situation existing at the end of that financial year;

k. Major transactions competed by the company and its subsidiary company in the financial year and any material changes taken place in the transactions of the company during that period,

l. Disclosures made by the substantial shareholders of the company to the company in the previous financial year,

m. Details of shareholding taken by the directors and officers of the company in the previous financial year and, in the event of hteir involvement ins hares transactions of the company, details of information reviewed by the company form them in that respect.

n. Details of disclosures made about the personal interest of any director and his/her close relative in any agreements related with the company during the previous financial year,

o. In the event that the company has bought its own shares (buy-back)_ the reasons for such buy-back number and face value of such shares, and amount paid by the company for such buy-back,

p. Whether there is an internal control system in place or not; and details of such systems, if it is in place,

q. Details of total management expenses during the previous financial year;

r. Name list of the members of audit committee, remuneration, allowances and facilities, received by them, details of the function performed by that committee, and details of suggestions, if any, made by that committee;

s. Amount, if any, outstanding and payable to the company by any director, managing director, chief executive substantial shareholders or his/her close relative or by any firm company, corporate body in which he/she is involved;

t. Amount of remuneration, allowances and faculties paid to the director, managing director, chief executive and officer,

u. Amount of dividends remaining unclaimed by the shareholders;

v. Details of sale and purchase of properties pursuant to section 141;

w. Details of transactions carried on between the associated companies pursuant to section 175;

x. Any other matters required to be set out in the report of board of directors under this act and the prevailing law;

y. Other necessary matters.

v. While preparing the annual financial statements pursuant to section (i), such statement shall also contain, in the case of the year of incorporation of the company, the accounts from the date of its incorporation to the last day of that financial year, and thereafter, the accounts of the previous financial year.

vi. The annual financial statement prepared pursuant to this point shall be kept open for inspection by any shareholder, if he/she so desires.

vii. The annual financial statements and the report of board of directors prepared pursuant to this point shall be approved by the board of directors and signed by the chairperson of the board of directors and at least one directors,

viii. The accounts and annual financial statements prepared by a company pursuant to this "accounts and records of company" shall be kept safely for at least five years after the date of expiry of the financial year concerned.

ix. The officers who prepare any false annual financial statements, report of board of directors and other returns and reports required to be prepared pursuant to this act and the directors who approved the same shall be liable to punishment under this act (Company act 2063).

2.3 Review of Journals and Articles

Shah (2002) has published an article mentioning “The Birgunj Sugar Factory had operational losses during all the past years. The reasons attributed to such a conditions were the increasing volume of operating expenses during the studied period. Moreover increased financial changes, depreciations and administrative expenses, further increased the operational losses during the periods. The financial position was also not favorable during the periods. The factory had only share capital as permanent found and the major portion of the funds were utilized in the purchase of fixed assets in the factory. The working capital was not sufficient to facilitate production and other operational activities in the factory.

The Lumbini Sugar factory also had almost the same position during the studied period. Similarly Sriram Sugar Mills a unit in the private sector also had very poor performance during the studied period.

By generalizing that studied result, all other Sugar factory was in poor financial and operational performance according by researcher.”

DFDP (2003) has published an article mentioning "A review of the financial management performance of all 20 district development committee under the decentralized financing and development program (DFDP) was carried out. To measure how clean and strong the financial management capacity is, data for four years since fiscal year 2056/57 were collected and analyzed for each of the district. Two indicators were used to review the financial performance of the 20 district development committee (DDC). The first indicator was used percent of actual expenditure made against the approved budget. Similarly, the second indicator used was percent of initial irregular amount shown by the auditor general against the actual expenditure. Following the audit, the auditor demand the submission of policies, document or classification to justify the irregular expenditure. The district development committee (DDC) must answer question raised by the auditors, with in specified period. The irregular amounts shown by the auditor are the initial one which might have reduced later on."

Fago (2006) has published an article mentioning "In the studied of financial ratios and their predictive power in corporate failure, prediction context revealed that NW/TA ratio had been rated the most powerful ratios while CA/NS as the least powerful ratio in prediction of corporate failure or bankruptcy."

After studied the status and activities of microfinance institutions in Nepal by Purushottam Shrestha, considerable efforts had been made to help microfinance and social mobilization from government, donor community, INGOs, Banks, cooperatives to assist the poor and disadvantaged section of the society with different policies, programs, projects, modalities and approaches. However, the sustainability of these programs and projects had been given less attentions. In this regard small farmers development program presented a model of small former cooperative limited a sustainable model developing an organization of small farmers which was operated and managed by the small farmers themselves.

UNCTAD (2006) has published an article mentioning “The world economy has been growing at a rapid pace yet amounting global imbalance pose a significant changes. The United States has been pulling the global economy but at the cost of an ever wedering trade deficit. This pattern cannot go on forever. Economists, call for a multilateral efforts to redress global imbalances. This can be achieved in part through an expansion of demand in key industrialized countries other than the US such as Japan and Germany which have huge surpluses. In this way, a recessionary adjustment and financial troublanace that might reverberate through he developing world could be avoided. Developing countries company should not be overly restricted by international trade rules or by conditions imposed by international lenders from doing what is best for their economies. Such freedom of actions has become a major issue in recent years and is often referred to as policy space.”

Shrestha (2007) has published an article mentioning “While it was reviewed the financial performance of small farmers cooperative limited between 1993/94 A.D. to 2002/03 A.D, the number of small farmers cooperative limited was established to come 128 benefiting 75430 members of 35 districts with 40% women's participations. The total loan outstanding stand at Rs. 1.11 billion of which terai had larger shares Rs. 817.7 million (73.94%) as compared to that of the hills Rs. 288.22 millions (26.06%)."

Pradhan (2008) has published an article mentioning “In the financial sectors, cost reduction is the main reasons for outsourcing. These financial institutions outsourced mainly non-core activities and they found that core activities should be retained in-house. The main benefit had been achieved cost reduction and improved services from non-core activities. It gave the impression that the external service providers had better services and that fact was evident since most-respondent agreed that they were highly satisfied by outsourcing business support activities. Form the study, it was clear that outsourcing should be used as an overall business strategy to maximize gain.”

Joshi (2008) has published an article mentioning "The study suggested that the univiorate analysis is no longer an important analytical techniques due to the relative unsophisticated manner. The secondary and primary data analyzes have provided a consistent conclusion regarding the predictive ability of financial ratios. The ratios of non-bankruptcy companies are quite stable through out the study period before bankruptcy than bankrupt companies. The prediction of corporate bankruptcy was not equally performed well by different financial ratios used in this study. The highest accuracy was found while stepwise multi-variate discriminate analysis with six financial ratio was taken. In conclusion the stepwise discriminate model was appropriate in predicting bankruptcy correctly in the context of Nepal. Form the analysis of questionnaire survey the best describe on the initial signal of corporate bankruptcy was found default on payment of loan. The principal component of suggested for the causes of bankruptcy were knowledge, climate and debt."

Basnet (2066) has published an article mentioning “NTV had loss from its establishment time. Therefore its financial performance had in weak situation. But its liquidity position was in strong. Its current ratio (CR) was 2.29:1 in 2064/65. Similarly its total assets turnover ratio (TATR) was 0.178:1 in fiscal year 2064/65. It means that its assets were not used properly to raised operating revenue. Its book debt were in excessive, collection policy was in poor. It increased the its average collection period (ACP). Again NTV had not to apply activity based costing (ABC) system to allocate, its expenditure in different programs and sections. Valuation of fixed assets (FA) were in ruthless, depreciation, procedure was not used with legal provisions. NTV had not applied net present value (NPV), internal rate of return (IRR) and payback period (PBP) technique in purchasing fixed assets which was usable to the enterprise. NTV had not develop the break even point (BEP) to reduced its loss and know the profitable revenue which was necessary to the enterprises.”

WTO (2010) has published an article mentioning “In 2009 the working group in trade, debt and financing made a significant contribution toward mobilizing international efforts to remedy the dramatic shortage of trade finance, which resided in the adoption by the G-20 summit in London of a US $ 250 billion support package. The working G group improved members understanding of the causes and location of the shortfalls discussed national plans aimed at boosting the availability of trade credit and guarantees and acted as a forum for discussion of-and providing support to WTO secretariat initiatives. In particular, it provided a forum for interaction between WTO members and the expert group on trade finance convened by the director general."

Upreti (2067) has published an article mentioning "Advertisement income was discovered 50%-60% in daily and weekly newspapers of newspaper is gross income. Similarly, share of advertisement income in margin was 70%-80% of margin's gross income. Again advertisement income was since 90% till 100% of gross income of American broadcasting organization. In Europe, public broadcasting organization was being become business (trade) motive."

While comparing failed companies, it was found that financial ratios of failed manufacturing company were found negative except N.S/TA, TD/TA, NW/TL, CA/CL and CA/NS. Financial ratios CF/TL, EBIT/TA, NP/NW, NP/TA, CF/CL, CF/NS and CF/TL were negative in failed non-manufacturing companies. Four financial ratios WC/TA, RE/TA, TD/TA and CA/NS were revealed significant between manufacturing and non-manufacturing companies within failed companies. However, there were no significant differences of financial ratios over the five years of failed companies.

Calculated ratios were positive among the non-failed companies. Statistically there were significant differences between non-failed manufacturing and non-manufacturing companies on the basis of financial ratios except the ratios of WC/TA, TD/TA and CA/NS like failed companies financial ratios of non-failed companies were found significant over five years past analysis.

Joshi (2067) has published an article mentioning "Microfinance Institutions (MFI) have already succeeded to proof that poor people are able to come out from a tiny loan, since the MFIs provided them a sort of training and help them to increase their productivity. It is a recorded that microfinance programs are help to reduced the poverty. Similarly, millions of poor has miles in Nepal who do not have access to the credit market duet o their lack of collateral asset. It is transparent that, microfinance programs have increased women's bargaining power in terms of their children's educational and health expenditures, resulting in a increased expenditure on children's human capital. This is obviously increasing the labor force participation of women benefiting the economy of the country. But the impact of the current global economy turmoil's on the worlds poorest people as well as on the MFI is one of the biggest challenging issues. Because of sub prime mortgage defaults in the US is now affecting the financial markets worldwide. Therefore, MFI's actor should consider as one of the biggest challenge for the institutions as well as for their clients today. So this is a evidence that both the global economy turmoil's and natural calamities are the challenging factors which MFI must take into a account."

Dhungana (2011) has published an article mentioning "At present Nepal is undergoing political instability, so there is no conducive environment even for public investment in development projects. In additions to this, Nepal is facing the energy crisis since the past decade. This also has great implications on the private sector, investment."

2.4 Review of Master Dissertation

Deoja (2001) has conducted a research entitled *"A Comparative Study of the Financial Performance between Nepal SBI Bank Ltd. and Nepal Bangladesh Bank Ltd.,"* analyzed different ratio of NSBIBL and NBBL for the period of five years till fiscal year 2000. His main objective was to analyze the financial performance between Nepal SBI Bank Limited and Nepal Bangladesh Bank Limited. His specific objectives were:

i) To analyses the strength and weakness of the selected commercial Banks.
ii) To evaluate the liquidity, leverage, activity, profitability and credit ratio of two commercial Banks.
iii) To examine the financial performance of the selected commercial Banks.

His major findings were as follows:

- Here, in some cases the liquidity position of NBBL is higher where as in some cases the ratio of NSBIBL is higher. It concludes that liquidity position of these two banks is sound.
- NBBL has better utilization of resource in income generating activity than NSBIBL. They are on decreasing trends while interest earned to total assets and return or net worth ratio of NBBL is better than NSBIBL.
- From the point of profitability position of NBBL is better than NSBIBL and both banks are highly leveraged."

Oli (2002) has conducted a research study entitled, "*A comparative study of financial performance of HBL, NSBIBL and NBBL.*" His main objective was to analyze the financial performance between HBL, NSBIBL and NBBL with the help of various financial and statistical analysis. His specific objectives were:

i. To evaluate the liquidity, leverage, activity, profitability and credit ratio of two commercial Banks.
ii. To examine the financial performance.
iii. To recommend the appropriate suggestion to concerned authority.

From the study he had concluded some major findings, which are as follows:

- Liquidity position of two JVBs i.e. NSBIBL and NBBL are always above than non standard and HBL is always below than normal standard.
- Total debt with respect to shareholders fund and total assets are slightly higher for HBL than NSBIBL and NBBL.
- The researcher has found from the analysis that NBBL has been successfully utilized their total deposits in terms of extending loan and advances for profit generating purpose on compared to NSBIBL and HBL.
- NSBIBL is also better than HBL. It has concluded that net profit to total assets ratio in case of HBL is found better performance by utilizing overall resources but the generated profit is found lower for the overall resources in three JVBs."

Joshi (2003) has conducted a thesis entitled *"A Study on Financial Performance of Commercial Banks."* His main objective was to evaluate the liquidity, leverage, activity, profitability and credit ratio of two commercial Banks. concludes that "Liquidity position of commercial banks is sound. The specific objectives were as follows:

i. To examine the financial performance.

ii. To evaluate the liquidity, leverage, activity, profitability and credit ratio of two commercial Banks.

iii. To recommend the appropriate suggestion to concerned authority.

His major findings were as follows:

- Their debt to equity ratio is high which doubts on solvency.
- Debt to equity ratio of local commercial banks is higher than other joint venture banks.
- Assets utilization for earning purpose is 2/3 of the total assets.
- The main source of income for these banks is interest from loan and advance of overall profitability position, is better than others."

Luitel (2003) has conducted a thesis entitled *"A Study on Financial Performance Analysis of Nepal Bank Limited."* His main objective was to analyses the strength and weakness of these two commercial Banks.

The specific objectives were:

i. To examine the overall financial ratio of the selected commercial bank.
ii. To examine the financial performance.
iii. To recommend the appropriate suggestion to concerned authority.

His major findings were as follows:

- The liquidity position of the bank is also not satisfactory during both periods. It is even worse during the second period as various current ratios have fluctuated during these periods and it shows lack of specific policy of holding various types of current assets. Thus, it can be said that the financial position of the NBL is worse during the second period due to its inefficiency in risk management.
- Since NBL has not maintained a balanced ratio among its deposit liabilities during the second period with the first period, the bank seems to be unable to utilize its high cost resources in high yielding investment portfolio.
- During both the periods there are negative operating profit for two years however, the company enjoyed the net profit due to the non-operational activities from first period of both years.
- There is a demarcation between operational and non-operational activities of the bank and performance and result of the first period shows that the bank is more inclined towards non-operating activities. Yet, the overall financial position of the bank is unsatisfactory during both periods.

Joshi (2004) has conducted study on *"Financial Analysis of Nepalese Commercial Banks."* His main objective of finding the comparative financial strengths and weakness of various commercial banks.

His specific objectives were as follows:

i. To analyze the return rate and expected return to the shareholders
ii. To evaluate systematic and unsystematic risk of the banks and providing recommendation on the basis if research findings.

From the study, he has concluded some major findings which are as follows:

- It is calculated that lending condition of banks are in decreasing trend.
- Banks in strong condition are holding good customers and discoursing low rated and less amounted loans. Instead of that, they are initiated towards remittance, bank guarantees and other commission generating activities, while other banks are showing aggressive and are spontaneously increasing loan loss provision.
- Deposits in the banks are also decreasing while some banks are holding enough funds. Its recommended for SCBNL was utilizing the maximum of the outsider’s funds towards the credit sector because return on credit sector is higher than on investment sector.
- Loan loss provision of SCBNL is comparatively higher. It is recommended to control while sanctioning loan outflows. So, the bank should improve its credit management.

Maharjan (2006) has conducted a research work entitled *"A Study on Financial Performance of NABIL Bank Limited”* concluded that the liquidity position of the bank is good enough to meet the short-term obligations. His main objective was to evaluate the overall financial performance of Nabil Bank Limited. His specific objectives were as follows:

i. To examine the strength and weaknesses through ratio analysis.
ii. To examine the financial performance of Nabil Bank Limited.
iii. To recommend the appropriate suggestion to concerned authority.

From the study his major findings were concluded as:

- The study shows that the bank is mobilizing its loan and advances adequately. The bank has better mobilization of its saving deposits in loans and advances adequately.
- The bank has better mobilization of its saving deposits in loan and advances for income generating purpose but it has not nicely mobilized its fixed deposits in loans and advances to generate the income. It has not invested more amount in in loan and advances a well as less in government securities efficiently for generating profit. Interest earned by the bank is inadequate in comparison to the assets. So it has drawn attention of the bank towards the sense of significant EBIT.
- Since the net profit of the bank in comparison to the total deposit is relatively low, it focused on earning operational profit wither by increasing their operational efficiency, or by decreasing their operational expenses as far as possible. The bank is also has not formulate and implement some sound and effective financial and non financial strategies to meet required level of profitability as well as the social responsibility.

Rajbhandari (2009), has conducted a research entitled work *"A Comparative Study on Financial Performance of Nabil Bank Limited and Standard Chartered Bank Nepal Limited."* The main objective of her study was to analyze, examine and interpret the financial position of SCBNL and NABIL with the help of ratio analysis and other financial tools.

Her specific objectives were as follows:

i. To examine the strength and weaknesses through ratio analysis.
ii. To examine the financial performance of Nabil Bank Limited.
iii. To recommend the appropriate suggestion to concerned authority.

From her study she has concluded some major findings which are presented as follows:

- In her study she had chosen only two commercial banks as sample i.e. SCBNL and NABIL.
- The main findings in her study were that the liquidity positions of these banks were not satisfactory.
- The current ratio should be in the normal standard of 2:1 but both banks are below the normal standard 2:1, which indicates the both banks i.e. NABIL bank and SCBNL were not adopting constant policy regarding liquidity ratio.
- The cash and bank balance to total deposit ratio, cash and bank balance to current assets and cash and bank balance to saving deposit ratio of SCBNL is higher than that of NABIL bank as per mean ratio.
- It signified SCBNL is more successful in utilizing its amounts of total deposits, current assets and saving deposits in cash and bank balance.
- Cash and bank balance to saving deposit ratio, fixed deposit to total deposit ratio and performing assets to total assets ratio of NABIL bank is higher than that of SCBNL as per mean ratio.
- The leverage or capital structure ratio reveals that the capital structure of NABIL bank was more leverage than that of SCBNL. This implies that NABIL bank is utilizing more outside funds for the benefit of its shareholder than SCBNL.
- The total assets to net worth ratio of NABIL bank are lesser than that of SCBNL as per mean ratio. This shows investment of owner's equity in total assets is minimum than SCBNL. Analysis of activity ratio signifies that both the banks are successful in utilizing or managing the resources or assets satisfactorily.
- Comparatively, loans and advances to total deposits ratio and loans and advances to saving deposits ratio of NABIL bank is more efficiently utilizing the outside funds in extending credit for profit generation.

- Loans and advances to fixed deposits ratio and investment to total deposits ratio of SCBNL is higher than that of NABIL bank and it shows that SCBNL is also more successful in utilizing its amounts of deposits in loans and advances and investment. According to her study, both the banks under study had not been able to earn positive profit but not to the satisfactory level.
- Among the various profitability ratio, net profit to investment ratio, net profit to total assets ratio and net profit to total deposits ratio of NABIL bank were greater on an average than that of SCBNL. Other essential ratios: price-earning ratio, market to book ratio and dividend yield ratio of SCBNL on mean was greater than NABIL bank.

Pandey (2010), has conducted a research entitled *"An Analysis of Key Financial Ratio of Commercial Banks in Nepal: A Special Reference with Himalayan Bank Limited and Everest Bank Limited."* The main objective of his study was to find out exact financial ratio of these two commercial banks over the periods of time. He had taken Everest Bank Limited and Himalayan Bank Limited as sample. Mainly he had conducted this research based on secondary data available in both banks' annual reports and manuals. He had presented data using both financial and statistical tools in his study.

The specific objectives were:

i. To examine the overall financial ratio of the selected commercial bank.
ii. To examine the financial performance.
iii. To recommend the appropriate suggestion to concerned authority.

His main findings were as follows:

- Current ratio of both of the banks showed consistent trend. Both the banks could not maintain the conventional standard of 2:1.

- EBL has higher average ratio which implies that EBL is more capable to meet short term obligation in comparison to HBL.
- Normally, the ratio remained consistent in HBL but the ratio of EBL is fluctuated more which is reflected by higher standard deviation.
- Both the selected banks were successful to mobilize their fund as loan and advance with respect to total assets. However, EBL has higher mean ratio than HBL over the study period which implies that EBL can be taken as better investor than HBL as concerned to consistency, both the sample banks able to maintain consistency.
- According to the analysis of assets management ratio, both the banks were successful in on-balance sheet utilization. Out of these two banks, EBL is found to be best in mobilizing the assets to the profitable sector.
- Similarly, analysis of leverage ratio, HBL had used more debt fund than that of EBL. It means HBL is more levered than EBL. Capital adequacy ratio was taken into consideration. EBL was in safer position.
- Average value of return on assets ratio is higher in EBL than HBL. HBL had higher mean value of return on shareholder's equity than EBL, Ratio of HBL was fluctuating more than EBL as shown by C.V. EBL had able to earn more profit than HBL by mobilizing its total assets into different profitable sectors. So, EBL had found better profitability than HBL.
- The trend analysis of EBL was better than that of HBL in all the cases. The growth rate of total deposit, total loan and advance, total investment and total net profit of EBL is higher than that of HBL.

2.5 Research Gap

The present study has tried to focus on financial ratio of Nepal Television. It is cleared that there was no research work on the study. Various thesis and dissertation are written in the topic of financial performance analysis of different organization but here research study is conducted in the topic of financial performance analysis of NTV which is written in the first time of

NTV by the researcher. Researcher has included or introduced the new tools to analyze the service organization (NTV) performance which is BEP model with chances of earning profit in the constrain trend with other thins remaining the same. Similarly some ratio are used to analyze financial performance which is not met the renown books of famous writers i.e. staffs expenses to total expenses, operating expenses to total expenses, depreciation to total expenses and non-operating revenue to net revenue etc. The study has not covered the other factors which affect the financial performance . Like economic condition of nation i.e. recession, depression, recovery and prosperity, similarly, interest of government, organizational structure of structure of personal administration, condition of technology, transmission coverage areas which affect the revenue generation and energy crisis (fuel). these factors affect the financial performance of NTV directly. The study extra from the point of view BEP tools and some pragmatic suggestions to the managers of NTV like receivables management cash management etc.

CHAPTER III

RESEARCH METHODOLOGY

"Research methodology refers to the various sequential steps (along with a rational, of each such steps) to be adopted by a researcher in studying a problem with certain object/objects in view. It would be appropriate to mention that research projects are not susceptible to any one complete and inflexible sequence of steps and the type of problems to be studied will determine the particular steps to be taken and their order too.

The steps that are provided tentative selection of the problem, initial survey of literature, defining the research problems, hypothesis formulation, research design, data collection, execution of project, analysis of data, testing the hypothesis, arriving at generalization, preparation of the reports" (Kothari, 1990). A sound research methodology is necessary. This study has mainly two aspects. They are descriptive and analytical. The analysis of financial performance of NTV, the following research methodology has been adopted which includes: research design, formulation of hypothesis, sources of data, data collection procedure, and analysis of data.

3.1 Research Design

Research designs are invented to enable the researcher to answer questions as validity, objectively accurately, and economically as possible. Any research plan is deliberately and specifically conceived and executed to bring empirical evidence to bear on the research problem.

Research design is the plan structure and strategy of investigation conceived so as to obtain answer to research question and to control variance. The plan is the overall scheme or program of the research. It includes outline of what the investigator will do from writing the hypothesis and their operational implications to the final analysis of data. The structure of the research is more specific. It is the outline, the scheme, the paradigm of the operation of the variables (Kerlinger, 1973).

Research design is present study is analytical and descriptive. The analytical research design is used to access and analyze the financial position of Nepal Television. The descriptive design has been used to explore and find out necessary suggestion in solving the basic problem encountered by the Nepal Television in order to develop management's efficiency of the enterprise and ultimately to develop television in the country as well.

3.2 Formulation of Hypothesis

Before embarking upon the research further, the researcher at this juncture should state the working hypothesis. 'hypothesis is a tentative assumption made in order to draw out and test its logical or empirical consequences. It does play an important role in most types of research. Hypothesis should be very specific and limited to the piece of research in hand because it has to be tested" (Kothari, 1990).

Hence the following hypothesis will be measured in the analysis:

i. Higher advertisement income indicates good financial performance.

ii. Optimum utilization of total assets rises the operating profit which is also good performance.

iii. Positive operating cash flows are in good for financial performance approach.

iv. Shorter time of BEP is better to earn profit which is also good financial performance.

3.3 Sources of Data

For any statistical enquiry, the investigator may collect the data first hand or he may use the data form other published sources such as the publication of the government / semi-government organizations, periodicals, magazine, newspapers research journals etc. If the data are collected originally by the investigator for the given inquiry it is termed as primary data and if he or she makes use of the data which had been earlier collected by some one else, it is termed as secondary data. (Gupta, 2004).

This study is based mainly of the secondary sources of data. The following sources have been used to collect necessary data:

i. Annual reports of NTV which comprises balance sheet, income statement and cash flows statement.

ii. Decision of annual general meeting (AGM) of selected years.

iii. Reports and bulletins of the concerned areas.

iv. Unpublished official data and published official data.

v. Relevant previous studies and publication and other available information.

3.4 Data Collection Procedure

The main source of data are secondary. They are collected directly from official records and published statement of the concerned business (NTV). The researcher has consonantly consulted with concerned office for data and information. Verification and clarification of data has been done though discussion with concerned authority where ever it is possible.

3.5 Analysis of Data

The analysis of data will be done according to pattern of data available. Wide varieties of methodology can be applied according to reliability and consistency of data.

"The analysis of data consists of organizing, tabulating, performing statistical analysis and drawing inference. The main purpose of such analysis is to obtain answers to the research questions or to test by hypothesis. Very close relations with analysis is interpretation." (Wolf and Pant, 2005).

Specific Ratio analysis, cash flows analysis, break even analysis, multiple bar diagram, and pie-chart will be used to analyses variables. Mainly the analysis will be done using following method:

3.5.1 Ratio Analysis

Simply an arithmetical relationship between two figures is known as ratio. In order to make the assessment of financial viability of the company the ratio analysis will be adopted. The systematic use of ratio to interpret the financial statement so that the strength and weaknesses of a firm as well as its historical performance and current financial condition can be determined.

A ratio may be defined as a fixed relationship in degree or number between two numbers. In finance, ratio are used to point out relationship that are not obvious from the raw data. Some sues of ratios are to compare different companies in the same industry, to compare different industries and to compare performance in different time periods (Hampton, 2006).

Under the ratio analysis, it is tried to analyze the following ratios:

3.5.1.1 Liquidity Ratios

According to Hampton "A firm's ability to pay its debt can be measured partly through the use of liquidity ratio. Short-term liquidity involves the relationship between current assets and current liabilities. If a firm has sufficient net working capital, it is deemed to have sufficient liquidity. Two ratios are commonly used to measures liquidity directly: The current ratio and quick ratio or acid test ratio."

i. Current ratio

According to Hampton, the current ratio is a ratio of the firms total current assets to its total current liabilities. A low ratio is an indicator that a firm a may not be able to pay its future bills on times particularly if condition change, causing a slow down in cash collection. A high ratio may indicates an excessive amount of current assets and management failure to utilize the firm's resource properly. To determine whether this ratio is high, low, or just right, the analyst should consider such factor as the firms' past history, goals and the current ratios of similar companies. As a general rules, a 2:1 is considered acceptable for most firm. By showing in equation:

Current ratio (CR) = $\frac{Current\ assets\ (CA)}{Current\ liabilities\ (CL)}$

Current assets include cash and bank balances, outstanding income, sundry debtors, inventories, prepared expenses etc.

Current liabilities means all obligations maturity within a year. Under the current liabilities, it is included that outstanding expenses, sundry creditors, provision for tax, doubtful debt, dividend, and other provisions, advance income etc.

ii. Quick Ratio

According to Hampton, the quick ratio is a more stringent measure of liquidity than the current ratio because inventories and prepaid expenses which are the least liquid of current assets, are excluded from the ratio. The quick ratio may be calculated as following ways:

Quick Ratio (QR) = $\frac{Current\ assets - Inventories - Prepaid\ expenses}{Current\ liabilities}$

As a guideline a 1:1 quick ratio has traditionally been deemed adequate for most firms. A higher ratio may have several meanings. It could indicate that the firms has excessive cash or receivables, both signs of lax managements. It could indicate that the firm is too cautiously ensuring sufficient liquidity. A low ratio is usually an indication of possible difficulties in the prompt payment of future bills.

3.5.1.2 Activity Ratios

"Funds of creditors and owners are invested in various assets to generate sales and profits. The better the management of assets, the larger the amount of sales. Activity ratios are employed to evaluate the efficiency with which the firms manages and utilize its assets. Activity ratios, thus involve a relationship between sales and assets" (Pandey, 1995).

Following ratios are calculated in this activity ratios:

i. Inventory turnover ratio (ITR)

According to Pandey "This ratio, indicates the efficiency of the firm in selling its product. It is calculated by dividing the cost of goods sold by the average inventory:

Inventory turnover = $\frac{Cost\ of\ goods\ sold}{Average\ inventory}$ or $\frac{Sales}{Inventory}$

The average inventory is the average of opening and closing balance of inventory."

ii. Debtors turnover ratio (DTR)

According to Pandey "Debtors turnover is found out by dividing credit sales by average debtors:

Debtors turnover = $\frac{Credit\ sales}{Average\ debtors}$ or, $\frac{Sales}{Debtors}$

Debtors turnover indicates the number of times debtor turnover each year. Generally, the higher the value of debtors turnover, the more efficient is the management of credit. To an outside analyst information about credit sales and opening and closing balance of debtors may not be available. Therefore debtor turnover can be calculated by dividing total sales by the year end balance of debtors.

iii. Average Collection Period (ACP)

According to Pandey, "The average number of days for which books debts remain outstanding is called the average collection period (ACP) and can be calculated as follows:

ACP = $\frac{360}{Debtors\ turnover}$ or, = $\frac{Debtors}{Sales}$ x 360 days

iv. Total assets turnover ratio (TATR)

According to Pandey, "This ratio shows the firm's ability in generating sales from all financial resources committed to total asset. Thus:

Total assets turnover = $\frac{Sales}{Total\ assets}$

Total assets (TA) included net fixed assets (NFA) and current assets (CA) (TA = NEA + CA)

v. Fixed assets turnover ratio (FATR)

According to Pandey, "The firm may wish to know its efficiency of utilizing Fixed assets. The fixed assets turnover is:

Fixed assets turnover = $\frac{Sales}{Net\ \ fixed\ assets}$

vi. Current assets turnover ratio (CATR)

Saying Pandey, the firm may with to know its efficiency of utilizing current assets. The current assets turn over is:

Current assets turnover = $\frac{Sales}{Current\ \ assets}$

vii. Working capital turnover ratio (WCTR)

According to Pandey "A firm may also like to relate net current assets (net working capital gap) to sales. It may thus compute net working capital turn over by dividing sales by net working capital. The ratio is:

Net current assets turnover = $\frac{Sales}{Net\ current\ assets}$

viii. Net assets turnover ratio (NATR)

According to Pandey, "The firm can compute net assets turnover simply by dividing sales by net assets (NA).

NATR = $\frac{Sales}{Net\ assets}$

Since net assets equal capital employed, net assets turnover may also be called capital employed turnover.

3.5.1.3 Profitability Ratio

Profitability ratios are of two types: those showing profitability in relation to sales and those showing profitability in relation to investment. Together these ratios indicate the firm's efficiency of operations (Vanhorn, 2007).

Following ratios are computed in this profitability ratios:

i. Profitability in relation to sales

a. Gross profit margin: According to Van Horn "This ratio tells us the profit of the firm relative to sales after we deducted the cost of goods sold. The ratio is:

Gross profit margin = $\frac{Sales\ less\ \cos t\ of\ \ goods\ sold}{Sales}$

b. Net profit margin (NPM): According to Van Horn "Net profit margin is a combination of the gross profit margin and selling, general and administration expenses to sales. A more specific ratio of profitability is the net profit margin:

Net profit margin = $\frac{Net\ \ profit\ after\ tax}{Sales}$

ii. Profitability in relation to investment

a. Return on equity (ROE): According to Van Horn, "This ratio tells us the earning power in shareholders book investment and is frequently used in comparing two or more firms in an industry. The ratio is expressed as:

ROE = $\frac{Net\ \ profit\ after\ tax\ \mathrm{Z}\ \Pr eferred\ \ stock\ \ dividend}{Shareholder's\ equity}$

Shareholder's equity are included share capital, retained earning, undistributed dividend, general reserve, other surpluses with deduct fictitious assets:

b. Return on assets: According to Van Horne "A more general ratio used in the analysis of profitability is the return on assets:

ROA = $\frac{Earning\ \ before\ \mathrm{int}erest\ and\ \ tax}{Total\ \ assets}$ or, $\frac{Net\ \ profit\ after\ tax}{Total\ \ assets}$

Using this ratio we are able to abstract from differing financial charges. Thus the relationship studies is independent of the way of the firm is financed.

3.5.1.4 Debt Management Ratio

The extent to which a firm uses debt financing of its financial leverage, has three important implications are: by raising funds through debt, stockholders can maintain control of a firm while limiting their investment, creditors look to the equity, or owner supplied funds, to provide a margin of safety so if the stockholders have provided only a small proportion of the total financing, the risk of the enterprises are borne mainly by its creditors, if the firm earns more on investments financed with borrowed funds than it pays in interest, the return on the owners capital is magnified or leveraged (Ehrhardt, 2001).

The following ratios can calculated in this debt management ratio:

i. Total debt to total assets

According to Ehrahardt, the ratio of total debt to total assets, generally called the debt ratio, measures the percentage of funds provided by creditors:

Debt ratio (DR) = $\frac{Total\ debt}{Total\ assets}$

Total debt includes both current liabilities and long term debts. Creditors prefer low debt ratio because the low the ratio, the greater the creditors protection against losses in the event of bankruptcy. Stockholders, on the other hand like the fact that leverage magnifies expected earnings.

ii. Debt to Equity

According of Brigham, the ratio of debt to equity is also use in financial analysis. The debt to assets (D/A) and debt to equity (D/E) ratio are simply transformation of each other:

D/E = $\frac{D/A}{1 \mathrm{Z} D/A}$ *and* $D/A\,\mathrm{X}\frac{D/E}{1 \Gamma D/E}$

3.5.1.5 Ratios of Other Financial Indicators of Nepal Television

The various types of financial ratios have been highlighted just in above. The television enterprise is neither manufacturing nor trading rather it is a service type with a partially business objectives. So some financial indicators of NTV have not been included in above ratio. Such uncovered variables will be analyzed with the help of the following ratios:

i. Equity multiplier = $\frac{Total\ assets}{Equity}$

$$= \frac{A}{A - D} \text{ X } \frac{1}{1 - D/A} \text{ X } \frac{1}{1 - DAR}$$

Where,

A = Total assets

D = Total Debt

DAR = Debt to Assets Ratio (Prasanna Chandra, 1993).

ii. Staffs expenditure to total expenditure (SETE)

SETE = $\frac{Staff\ \exp enditure}{Total\ \exp enditure}$

iii. Depreciation to total expenditure (DTE)

DTE = $\frac{Depreciation}{Total\ \exp enditure}$

iv. Non-operating income to total income (NITI)

NITI = $\frac{Non - operating\ income}{Total\ income}$

v. Revenue per staffs (RPS)

RPS = $\frac{Total\ revenue}{Total\ staffs}$

vi. Revenue growth rate (RGR)

$$\text{RGR} = \frac{\text{Current year income} - \text{Previous year income}}{\text{Previous year income}}$$

vii. Administration expenses ratio (AER)

$$\text{AER} = \frac{\text{Administration expenses}}{\text{Net revenue}}$$

viii. Total expenditure growth rate (TEGR)

$$\text{TEGR} = \frac{\text{Current year expenses} - \text{Previous year expenses}}{\text{Previous year expenses}}$$

ix. Net loss growth rate (NLGR)

$$\text{NLGR} = \frac{\text{Current year loss} - \text{Previous year loss}}{\text{Previous year loss}}$$

x. Staffs expenditure per staff (SEPS)

$$\text{SEPS} = \frac{\text{Staffs expendiutre}}{\text{Total no. of staffs}}$$

xi. Total expenditure per staffs (TEPS)

$$\text{TEPS} = \frac{\text{Total expenditure}}{\text{Total no. of staffs}}$$

3.5.2 Cash flow Analysis

The statement of cash flows shows how the firm generated and cash for a period of time. Essentially, cashless are related to three types of activities: operating, investing and financing activities:

Operating activities are core business activities such as buying and selling goods and services. Thus the cash collected from sales of goods and services is an operating cash inflows and cash paid to purchase goods and services is an operating cash outflows. Cash payment for general and administrative expenses are also operating cash outflows.

Investing activities are activities related to the buying and selling of long-term assets such as property and equipment. They are called investing activities because a company is altering its investment in assets. When a company buys a machine, the cash outflow related to the purchase is classified as a cash outflows under investing activities. And when a company sells land the related cash inflows is classified under investing activities.

Financing activities are activities related to acquiring capital, paying offs loans to debt holders and making payments to investors. Thus, the proceeds related to the sales of bonds would be a cash inflow. Cash payments for dividends would be a cash outflows, they are financing activities (James, 2004).

3.5.3 Break-Even Analysis

Cost-volume-profit analysis includes both contribution analysis and breakeven analysis. Break even analysis uses the same concepts as contribution analysis however, it emphasizes the level of output or productive activity at which sales revenue exactly total cost, that is, there is no profit or loss. Break even analysis rests upon the foundation of cost variability separate identification and measurement of the fixed and variable components of cost. Break-even analysis is usually applied on a total company basis. Break-even point can be shown by applying formula. They are as follows:

BEP (units) = $\frac{FC}{CMPU}$

BEP (Rs)= $\frac{FC}{Contribution\ margin\ ratio}$ or = $\frac{FC}{1 \mathrm{Z} \frac{V}{S}}$

CHAPTER IV

DATA PRESENTATION AND ANALYSIS

4.1 Introduction

In the previous section, we have already dealt about the introductory background, function, objectives and limitation, significant, importance of the study and NTV along with the reviewing of the relevant literature and also highlighted the research methodology of the study. Now in this section we are going to analyze and interpret the various financial variable in order to evaluate the financial performance to the NTV selected for the study.

4.2 Ratio Analysis

The following are the some important financial ratios to analyze the financial performance of selected bank:

4.2.1 Liquidity Ratio

A liquidity ratio measures the ability of the firm to meet its current obligations. In fact, analysis of liquidity need the preparation of cash budgets and cash and funds flow statements; but liquidity ratios, by establishing a relationship between cash and other current assets to current obligations, provide a quick measure of liquidity a firm should ensure that it doesn't suffer from lack of liquidity, and also that it doesn't have excess liquidity. The failure of company to meet its obligation due to lack of sufficient liquidity, will result in poor creditworthiness, loss of creditors' confidence, or even in legal tangles resulting in the closure of the company. A very high degree of liquidity is also bad; idle assets. Therefore, it is necessary to strike a proper balance between high liquidity and lack of liquidity.

i. Current Ratio

The current ratio of NTV measures its short-term solvency power. The ratios are as follows:

Table 4.1

Current Ratio

Rs. in crore

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FY	Current assets (Rs.)	Current liabilities (Rs.)	CR (times)
2062/63	40~~2362292.21~~.24	14.77~~21629.56~~	2.72: 1
2063/64	39.~~5694721~~57~~.03~~	17.~~2469868~~25~~.36~~	2.29: 1
2064/65	45.10~~33352.43~~	21.~~8380398~~84~~.28~~	2.07: 1
2065/66	39.72~~13955.58~~	21.21~~13415.83~~	1.87: 1
2066/67	45.~~6855869~~69~~.93~~	24.~~6990355~~70~~.45~~	1.85: 1

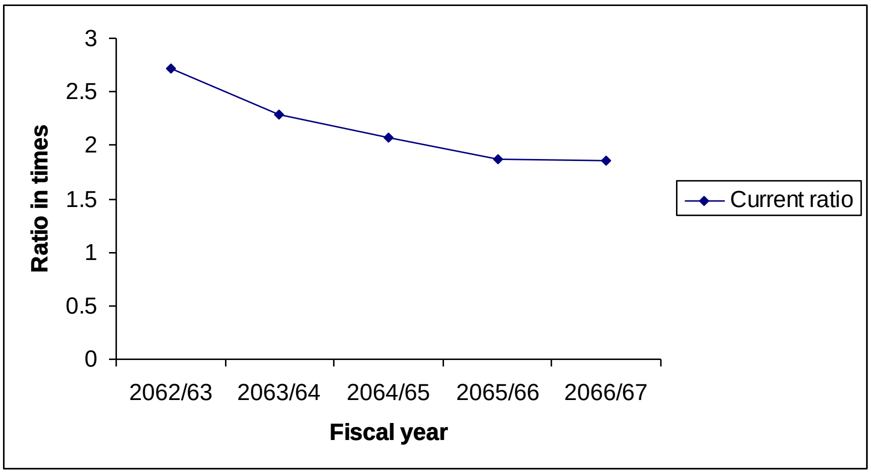
Source: Appendix-B and P.

The NTV's current assets have grown with fluctuating case from the base level of Rs. 40.~~2362292~~24~~.21~~ crore in the Fy 2062/63 to Rs. 45.~~6855869~~69~~.93~~ crore in the Fy 2066/67. Similarly, current liabilities have grown from the base level of Rs. 14.77~~21629.56~~ crore in Fy 2062/63 to Rs. 24.~~6990355~~70 crore ~~.45~~ in Fy 2066/67.

The table 4.1 clearly exposes that the current ratios of NTV is more than 2 till 2064/65 fiscal year than later two years less than 2 till fiscal year 2066/67 but nearly at 2:1. It means that the enterprise is able to meet its short-term obligation with its current assets. It can be presented in following figure:

Figure 4.1

Trend Line Showing Current Ratio



ii. Quick Ratio

The quick ratio of NTV measures its liquidity position in short-term. The quick ratio are as follows:

Table ~~No.~~ 4.2

Quick Ratios

Rs. in crore

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FY	Quick assets (Rs.)	Current liabilities. (Rs.)	QR (times)
2062/63	33.86~~13739.71~~	14.77~~21629.56~~	2.29: 1
2063/64	35.68~~18494.32~~	17.~~2469868~~25~~.36~~	2.07: 1
2064/65	39.45~~02635.33~~	21.~~8380398~~84~~.28~~	1.81: 1
2065/66	34.05~~24722.25~~	21.21~~13415.83~~	1.61: 1
2066/67	38.93~~30427.40~~	24.~~6990355~~70~~.45~~	1.58: 1

Source: Appendix-B and P.

The quick assets of NTV are growing on fluctuating case form base year to end year which is exposed in above 4.2 table. The table ~~no.~~ 4.2 clearly reveals that the quick ratios of NTV is always more than 1 during the five year periods. The indicates that the quick assets are always more than the current liabilities of the enterprise. The financial position is relatively satisfactory. The quick assets are much more sufficient to meet the short-term obligation.

From the above analysis the short-term solvency position of NTV is very strong. Quick ratios express the ideal cash balance is in high which is created by government investment and subsidy, it is not sound case. Similarly trade book are in high which is not cashed in proper time it is also not sound. Other things are in better in point of view of liquidity ratios.

4.2.2 Activity Ratios

More things about this ratio have been already described in earlier chapter. Basically the activity ratios evaluate and test how effectively the assets of NTV have been utilized. Here the activity ratios will be analyzed to measures the financial performance of NTV. The ratios are as follows:

i. Inventory Turnover Ratio (ITR): Every business organization has to maintain inventory to operate business smoothly for the fulfillment of the requirement of the business. Inventory turnover ratio indicates whether the investment in inventory is effectively used or not. It checks the efficiency of inventory management. It is relation between net revenue and inventory. The ratios are as follows:

Table 4.3

Inventory Turnover Ratio

Rs. in crore

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Fy	Net revenue (Rs.)	Inventory (Rs.)	ITR (times)
2062/63	24.51~~09623.75~~	13.~~809353~~81~~.75~~	17.75
2063/64	18.80~~12494.63~~	12.~~245006~~25~~.24~~	15.35
2064/65	19.59~~25258.7~~	29.95~~2423.9~~	6.54
2065/66	19.~~9460534~~95~~.62~~	24.~~665814~~67~~.23~~	8.09
2066/67	23.05~~00484.96~~	24.~~526301~~53~~.0~~	9.40

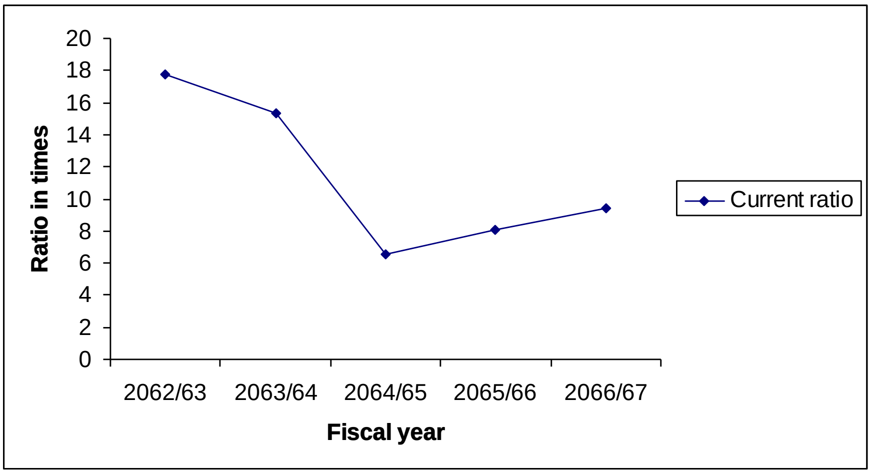
Source: Appendix A, B and P.

The enterprise net revenue has gradually decline from base year 2062/63 i.e. Rs. 24.51 crore~~09623.75~~ to terminate year 2066/67 i.e. Rs. 23.05~~00484.96~~ crore, which is not sound. Similarly, inventory has gradually increase from base year 2062/63 i.e. Rs. 13.8~~0~~1~~9353.75~~ crore to terminate year 2066/67 i.e. Rs. 24.~~526301~~ 53 crore except Fy 2063/64 and 2065/66. In 2063/64, inventory are in decline and 2064/65, inventory are in highly rise-up than other years.

The table ~~no.~~ 4.3 clearly shows that the ITR of NTV is gradually decline till Fy 2064/65 after that it rise up in decreasing rate till Fy 2066/67. In aggregate, ITR are in decline from base year 2062/63 i.e. 17.75 times to terminate year 2066/67 i.e. 9.4 times. It is not sound. It means that the utilization of stock are in poor among them, revenue which is caused by increasing in inventory with comparison decease in revenue.

Figure 4.2

Trend Line Showing Inventory Turnover Ratio



ii. Debtors Turnover Ratio (DTR) and Average Collection Period (ACP)

Trade debtors is the result of credit sales. It measures the efficiency of cash collection through credit sales. Higher the turnover indicates cash collection very fast or more efficient management of debtors and lower the turnover indicates slowly cash collection. DTR is relation between net revenue and trade debtors.

Similarly, average collection period is calculated to know the average no. of days for which enterprise has to wait before trade debtors are converted into the cash. It is relation between days in a year (365) and DTR. They are shown in a following ways:

Table ~~No.~~ 4.4

Debtors Turnover Ratios and Average Collection Period

Rs. in crore

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Fy	NR (Rs.)	Trade debtors (Rs.)	DTR	ACP (days)
2062/63	24.51~~09623.75~~	22.~~1386473~~14~~.62~~	1.12x	329.67
2063/64	18.80~~12494.63~~	22.6~~6~~7~~6379.02~~	0.83x	440.1
2064/65	19.59~~25258.7~~	16.24~~12163.68~~	1.21x	302.57
2065/66	19.~~9460534~~95~~.62~~	16.~~6272674~~63~~.16~~	1.2x	304.27
2066/67	13.05~~004784.96~~	18.~~7086067~~71~~.75~~	1.23x	296.25

Source: Appendix-A, B and P.

The trade debtors has decreased from Rs. 22.14~~386473.62~~ crore in the base year of 2062/63 to terminated year 2066/67 with Rs. 18.7~~0~~1~~86067.75~~ crore. Highly trade debtor was in 2~~-~~063/64 i.e. Rs. 22.6~~6~~7~~6379.02~~ crore but smallest trade debtors was in 2064/65 i.e. Rs. 16.24~~12163.68~~ crore. Seeing DTR, it is gradually improved but not satisfactory. It was poor in Fy 2063/64 than other four year period i.e. it was 0.83 times. Maximum DTR is in Fy 2066/67 i.e. 1.23 times. It means that cash collection is very slow from debtors but it has been improving each year. By considering ACP, very high ACP was 440.2 days, in Fy 2063/64 and very low ACP is 296.25 days in Fy 2066/67. It has been also improving but not satisfactory because trade debtors is collected with very long time period i.e. 296.25 days according to Fy 2066/67's ACP. It seems that cash conversion cycle is to be very long-time period. It invites the bad debts as much as possible.

iii. Total Assets Turnover Ratio (TATR): Assets are used to create net revenue. Therefore, NTV should manage its assets efficiently to maximize net revenue. It is measured the financial performance of NTV with the help of this ratio. The relationship between total assets and net revenue is called total assets turnover. TATR are being gone to analyze by taking relevant data of five years under study.

Table 4.5

Total Assets Turnover Ratio

Rs. in crore

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Fy	NR (Rs.)	TA (Rs.)	TATR
2062/63	24.51~~09623.75~~	11.09~~298317.66~~	0.12
2063/64	18.80~~12494.63~~	10.56~~169604.89~~	0.18
2064/65	19.59~~25258.7~~	10.~~5598737~~56~~.51~~	0.19
2065/66	19.~~946053~~495~~.62~~	98.89~~14739.65~~	0.20
2066/67	23.05~~00484.96~~	98.~~4150678~~42~~.21~~	0.234

Source: Appendix A, B and P.

By considering table ~~no.~~ 4.5, the total assets are gradually decreasing in each fiscal year i.e. from Rs. 11.09~~298317.6~~ crore ~~6~~ in Fy 2062/63 to Rs.

98.~~4150678~~42 crore ~~.2~~ in Fy 2066/67. But net revenue are gradually increasing from Fy 2063/64, i.e. Rs. 18.~~8012494~~ 80 crore to Fy 2066/67, i.e. Rs. 23.05~~00484.96.~~ crore. Table ~~no.~~ 4.5 exposes clearly the TATR 0.22 time, in base year and 0.23 times in terminate year 2066/67. TATR is increasing gradually from Fy 2063/64 with 0.18 times later on another Fy i.e. 0.19 times, 0.20 times and 0.23 times in 2064/65, 2065/66 and 2066/67 respectively. But it is not satisfactory. It means that weighty amount must be invested in total assets to generate light revenue which is not sound. Assets utilization are in poor. Management efficiency in assets management is in weak position.

iv. Fixed Assets Turnover Ratio (FATR): It has been already analyzed the total assets turnover ratio to measure the efficiency in utilization of total assets. Here, it has been gone to analyze to measure how efficiency, the capital employed in fixed assets has been utilized to generate net revenue. The operating performance of NTV can be evaluated with the help of this ratio. Generally the higher ratio indicates better than the lower ratio of enterprise. The FATR is shown in the below table:

Table 4.6

Fixed Assets Turnover Ratio

Rs. in crore

Fy	NR (Rs.)	FA (Rs.)	FATR
2062/63	24.51~~09623.75~~	70.69~~36025.45~~	0.35
2063/64	18.80~~12494.63~~	66.~~0474883~~05~~.386~~	0.285
2064/65	19.59~~25258.7~~	60.~~4954023~~50~~.08~~	0.324
2065/66	19.~~9460534~~95~~.62~~	59.17~~00784.07~~	0.34
2066/67	23.05~~00484.96~~	52.~~7294808~~73~~.28~~	0.44

Source: Appendix A, B and P.

In table ~~No.~~ 4.6, the fixed assets are in gradually decreasing from base year 2062/63, i.e. Rs. 70.69~~36025.45~~ crore to terminate year 2066/67, i.e. Rs. 52.~~729480873~~ 73 crore ~~.28~~ by the cause of depreciation and sales of fixed assets. FATR is gradually increasing from Fy 2063/64 i.e. 0.285 times to Fy 2066/67 i.e. 0.44 times. FATR is 0.35 times in base year 2062/63 FATR are 0.324 times and 0.34 times in Fy 2064/65 and 2065/66 respectively. It is so poor because they are all of below the 1. The investment in fixed assets cannot generate the revenue of same amount of investment. But it is gradually improving in each year with increasing turnover times but it is not proper. Utilization of FA is in poor. Management efficiency is weak to manage fixed assets.

v. Capital Employed Turnover Ratio (CETR): This ratios are calculated to know the effectiveness in utilizing the capital employed for making revenue activities. Higher the CETR shows the maximum utilization of capital employed and lower the CETR shows the inefficient utilization of capital employed (CE) for making revenue activities. CETR are shown in the below table from five years data:

Table ~~No.~~ 4.7

Capital Employed Turnover Ratio

Rs. in crore

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Fy	NR (Rs.)	CE (Rs.)	CETR
2062/63	24.51~~09623.75~~	96.~~1576688~~16~~.1~~	0.255
2063/64	18.80~~12494.63~~	88.~~3699736~~37~~.53~~	0.213
2064/65	19.59~~25258.7~~	83.76~~06977.23~~	0.234
2065/66	19.~~94605349~~95~~.62~~	77.68~~01323.82~~	0.257
2066/67	23.05~~00484.96~~	73.~~7160322~~72~~.76~~	0.313

Source: Appendix A, B and P.

Table ~~no.~~ 4.7 exposes clearly, the amount of capital employed are decreasing gradually in each year from base year 2062/63 i.e. Rs. 96.~~1576688~~16 crore ~~.1~~ to terminate year 2066/67 i.e. Rs. 73.~~7160322~~72 crore ~~.76~~ by cause of bearing heavy amount of loss in each year. But CETR are increasing gradually in each year (i.e. 0.255 base year 2062/63 to 0.313 terminate year 2066/67) except Fy 2063/64 and 2064/65 (i.e. 0.213 and 0.234 respectively. Seeing table ~~no.~~ 4.7, it is going to improve with increasing CETR but it is not satisfactory because it is less than 1. It means that heavy amount has been invested in capital employed with revenue are very low or generation of revenue are very low. It is not sound capital cannot generate the revenue with satisfactorily.

vi. Current Assets Turnover Ratio CATR) and Working Capital Turnover Ratio (WCTR)

The current assets turnover and working capital turnover ratio are an others tools which can be used to evaluate the financial performance of the enterprise. The relationship between total current assets and net revenue earned by the NTV is called current assets turnover ratio similarly. relation between working capital and net revenue earned by NTV is called working capital turnover ratio. These ratios measure how effectively and efficiently the current assets and working capital are utilized to generate net revenue of NTV. These ratios measure the profitability of funds invested in current assets and working capital of the enterprise. These ratios are analyzed by taking the relevant data of five years period under study on table 4.8.

Table ~~No.~~ 4.8

Current Assets and Working Capital Turnover Ratios

Rs. in crore

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FY	NR (Rs.)	CA (Rs.)	CATR	WC (Rs.)	WCTR
2062/63	24.51~~09623.75~~	40.~~2362292~~24~~.21~~	0.61	25.46~~40662.65~~	0.96
2063/64	18.80~~12494.63~~	39.~~5694721~~57~~.03~~	0.48	22.32~~24852.67~~	0.84
2064/65	19.59~~25258.7~~	45.10~~33352.43~~	0.43	23.~~2652954~~27~~.15~~	0.84
2065/66	19.~~9460534~~95~~.62~~	39.72~~13955.58~~	0.50	18.51~~00539.75~~	1.08
2066/67	23.05~~00484.96~~	45.~~6855869~~69~~.93~~	0.50	20.~~9865514~~99~~.48~~	1.10

Source: Appendix A, B and P.

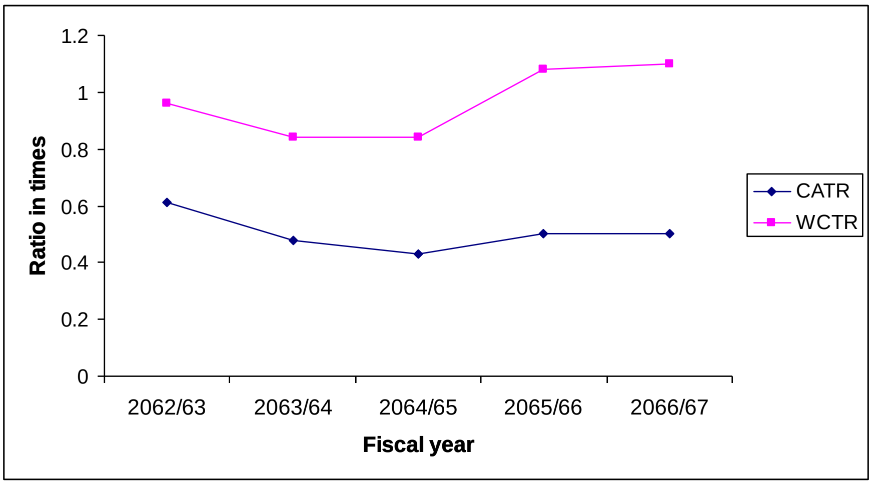
The table ~~no.~~ 4.8 clearly shows that the current assets and working capital have been fluctuating to growth with comparing base year. In base year CA and WC are in Rs. 40.~~2362292~~24~~.21~~ crore and Rs. 25.46~~40662.65~~ crore respectively in terminate year of research CA and WC are in Rs. 45.~~6855869~~69 crore ~~.93~~ and Rs. 20.~~9865514~~99 crore ~~.48~~ respectively.

The table ~~no.~~ 4.8 shows that CATR are decreasing till Fy 2064/65 from base year 2062/63 (i.e. 0.61x, 0.48x, 0.43x of 2062/63, 2063/64, 2064/65 respectively. After that CATR are in constant in Fy 2065/66 and 2066/67 i.e. 0.5 times. Similarly WCTR are also decreasing till Fy 2064/65 form base year 2062/63 (i.e. 0.96x, 0.84x and 0.84 x with 2062/63, 2063/64, 2064/65 respectively). After that it has been growing from Fy 2065/66 and 2066/67 i.e. 0.8x and 1.1x respectively.

From the above analysis, it is clear that the NTV cannot utilize its current assets and working capital efficiently in order to create net revenue. The enterprise cannot increase its revenue by using CA and WC. The major factor is that the NTV cannot collect more amount from its trade debtors for causing less CATR and WCTR. Therefore utilization of CA and WC are in poor. It is not satisfactory to generate revenue of NTV with the help of CA and WC.

Figure 4.3

Trend Line Showing CATR and WCTR



4.2.3 Profitability Ratio

The profitability ratios are another measure to analyze the financial performance of NTV. Something about this ratios have been already mentioned in earlier chapter. The various ratios which are commonly used to evaluate the profitability position of NTV will be analyzed and interpreted in this section.

i. Gross operating profit margin (GOPM): Gross operating profit is the earning before interest taxes and depreciation (EBITD). The relation between EBITD and net revenue is called gross operating profit margin (GOPM). It indicates the portion of gross operating profit in sales or net revenue. It is expressed in percentage. Greater the percentage is preferably better but negative percentage is referred bad or it indicates the loss portion with net revenue. The ratios are exposed in following table ~~no.~~ 4.9.

Table ~~No.~~ 4.9

Gross Operating Profit (Loss) Margin (GOPM)

Rs. in crore

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FY	EBITD (Rs.)	NR (Rs.)	GOPM (%)
2062/63	1.40 ~~3993536.89~~	24.51~~09623.75~~	5.71
2063/64	(3.93~~46346.95~~)	18.80~~12494.63~~	(20.93)
2064/65	(2.63~~38490.67~~)	19.59~~25258.7~~	(13.44)
2065/66	(1.10~~09576.83~~)	19.~~9460534~~95~~.62~~	(5.52)
2066/67	(2.~~6773491~~68~~.85~~)	23.05~~00484.96~~	(11.62)

Source: Appendix A and P.

Table ~~no.~~ 4.9 clearly shows that the NTV has the gross operating loss in each fiscal year except Fy 2062/63 when NTV has gross operating profit i.e. Rs. 1.~~3993536~~40~~.89~~ crore. Bearing loss are in also fluctuating which increases the risk in the business. Similarly, GOPM are in negative in each year except Fy 2062/63 when GOPM is in positive i.e. 5.71%. Negative GOPM were decreasing till Fy 2065/66 from Fy 2063/64 (i.e. -20.93 in 2063/64, -13.44 in Fy 2064/65 and -5.52 in Fy 2065/66) but it increased in Fy 2066/67 i.e. -11.62. It is bad thing for NTV. By the cause of heavy amount of staff or administrative expenditure invites the gross operating loss for NTV. Management is failure to control administrative expenses. It is not sound.

ii. Net profit (loss) Margin (NPM)

Loss has been bearing by NTV from its establishment time. NTV has no any net profit. Therefore, here is shown the relation between net loss and net revenue which is called NPM in negative. The ratios are shown in below table ~~no.~~ 4.10 under study.

Table~~No.~~ 4.10

Net Profit (Loss) Margin

Rs. in crore

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FY	Net losses (Rs.)	NR (Rs.)	NPM (%)
2062/63	(7.79~~10295.82~~)	24.51~~245109623.75~~	(31.79)
2063/64	(12.50~~49986.66~~)	18.80~~188012494.63~~	(66.51)
2064/65	(6.95~~36104.62~~)	19.59~~195925258.7~~	(35.49)
2065/66	(8.03~~17092.29~~)	19.95~~199460534.62~~	(40.27)
2066/67	(8.30~~17420.02~~)	23.05~~230500484.96~~	(36.02)

Source: Appendix A and P.

Seeing table ~~no.~~ 4.10, lesser loss was in Fy 2064/65 i.e. Rs. 69.~~536104~~54~~.62~~ crore against that greater loss was in Fy 2063/64 i.e. Rs. 12.50~~49986.82~~ crore. Loss was Rs. 7.79~~10295.82~~ crore in base year 2062/63 and Rs. 8.30~~17420.02~~ crore in terminate year 2066/67. Here, losses are increasing from Fy 2064/65 to Fy 2066/67 (i.e. Rs. 6.95~~36104.62~~ crore in Fy 2064/65, Rs. ~~803179~~28.03 crore ~~.29~~ in 2065/66 and Rs. 8.30~~17420.02~~ crore in 2066/67). Gradually increasing in losses are bad for the NTV which exposes the inefficiency of management to earn profit. The cause of increase in losses are highly staff expenditure and high depreciation amount. Provision of depreciation are not legally which is ruthlessly deduct. Seeing table ~~no.~~ 4.10, NPM are in fluctuating in this research five year period. In base year 2062/63, it was (31.79%) but in terminate year 2066/67, it is (36.02%). In middle three years, they are (66.51%), (35.49%) and (40.27%) in Fy 2063/64, 2064/65 and 2065/66 respectively. By seeing table 4.10, net revenue are in increasing base from 2063/64 to Fy 2066/67 (i.e. Rs. 18.80~~12494.63~~ crore and Rs. 23.05~~00484.96~~ mllion respectively) but losses are also increasing base from Fy 2064/65 to Fy 2066/67 (i.e. Rs. 6.95~~36104.62~~ crore and Rs. 8.30~~017420.02~~ crore respectively) which is bad thing to NTV. But NPM has decreased in Fy 2066/67 i.e. (36.02%) from Fy 2065/66 i.e. (40.27%) which is caused by increase in net revenue is high rate than the increase in net losses rate.

Whatever else that is not well. If NTV is not subsidies by government, it will be liquidate by causing poor operation in nearest future. In general NPM are in bad or poor for NTV.

iii. Loss on Assets and Loss on Share Capital (LOA and LOE)

NTV has not profit since its establishment period. Therefore loss on assets and loss on equity are analyzed instead of return on assets and return on equity. The relation between net loss and total assets and net loss and share holders equity are called loss on assets and loss on equity respectively. They indicates the loss portion on assets and equity. The ratios are shown in below table ~~no.~~ 4.11 study under:

Table 4.11

Loss on Assets and Loss on Share Capital

Rs. in crore

Fy	NL (Rs.)	TA (Rs.)	LOA (%)	Share capital (Rs.)	LOE (%)
2062/63	(7.79)~~(77910295.82)~~	11.09~~298317.66~~	(7.02)	96.~~1576688~~16~~.10~~	(8.1)
2063/64	(12.50)~~(125049986.66)~~	10.56~~169604.89~~	(11.84)	88.~~3699736~~37~~.53~~	(14.15)
2064/65	(6.95)~~(69536104.62)~~	10.~~55987375~~56~~.51~~	(6.59)	83.76~~06977.23~~	(8.3)
2065/66	(8.03)~~(80317092.29)~~	98.89~~14739.65~~	(8.12)	77.68~~01323.82~~	(10.34)
2066/67	(8.30)~~(83017420.02)~~	98.~~4150678~~42~~.21~~	(8.44)	73.~~7160322~~72~~.76~~	(11.26)

Source: Appendix A, B and P.

Seeing table ~~No.~~ 4.11, net loss are gradually increasing since Fy 2064/65 i.e. Rs. 6.95~~36104.62~~ crore till Fy 2066/67 i.e. Rs. 8.30~~17420.02~~ crore then total assets are gradually decreasing since Fy 2062/63 i.e. Rs. 11.09~~298317.66~~ crore till Fy 2066/67 i.e. Rs. 98.~~4150678~~42 crore~~.21~~, as a result LOA are gradually increasing since Fy 2064/65 i.e. (6.59%) until Fy 2066/67 i.e. (8.44%). LOA is in peak point in Fy 2063/64 i.e. (11.84%) by the cause of greater loss than the other research period of year. Increase in LOA is bad thing for NTV. It means that management are failure to search other sources of income to utilize its assets in effective manner.

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Similarly, share capital are gradually decreasing by the cause of NTV faces the loss in every year as a result of increasing losses and decreasing share capital LOE are gradually increasing since Fy 2064/65 i.e. (8.3%) until Fy 2066/67 i.e. (11.26%) which is also bad thing for NTV. LOE is high point in Fy 2063/64 i.e. (14.15%) but it was (8.1%) in base year 2062/63. In general with considering LOA and LOE of NTV are in bad situation. NTV must lunch the enhancing process of its activities which is more hard work.

4.2.4 Debt Management Ratio

Debt management ratio is called leverage ratio. It is at test long-term solvency of NTV. The ratio indicates the relationship between debt and share capital. It is related to shareholder's fund indicating the degree of protection against long-term creditors. Similarly, the ratio relationship between debt and total assets too.

i. Debt Ratio (DR): The debt ratio measures the percentage of the NTV's assets financed by creditors. The lower the ratio, the greater the protection afforded creditors in the event of liquidation. The relation between total debt and total assets is called debt ratio. Highest ratio is not preferable for NTV or only enterprises. The decreasing ratio is favorable. Here, NTV has not long-term debt. hence debt ratio is analyzed with between short-term debt (current liabilities) and total assets. The ratios are shown in the below table ~~no.~~ 4.12 under study.

Table ~~No.~~ 4.12

Debt Ratio (DR)

Rs. in crore

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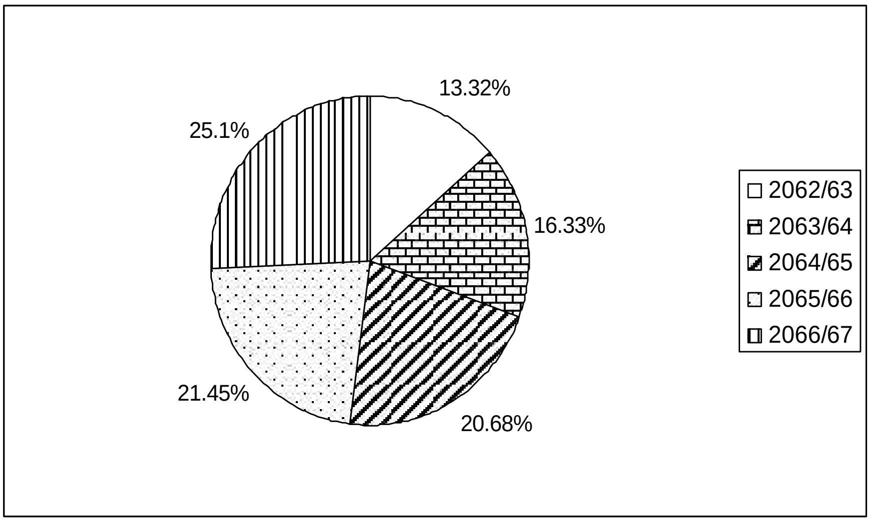
FY	Debt (Rs.)	Total Assets (Rs.)	DR (%)
2062/63	14.77~~21629.56~~	11.09~~298317.66~~	13.32
2063/64	17.~~2469868~~25~~.36~~	10.56~~169604.89~~	16.33
2064/65	21.~~8380398~~84~~.28~~	10.~~55987375~~56~~.51~~	20.68
2065/66	21.21~~13415.83~~	9.~~88914739~~89~~.65~~	21.45
2066/67	24.~~6990355~~70~~.45~~	9.84~~150678.21~~	25.10

Source: Appendix B and P.

Seeing table ~~no.~~ 4.12. The trend of total assets are decreasing from base year 2066-67 i.e. Rs. 11.09~~298317.66~~ crore the terminate year 2066-67 i.e. Rs. 9.84~~150678.21~~ crore but trend of Debut (D) or current liabilities are increasing from base year 2062-63 i.e. Rs. 14.77~~21629.56~~ crore to terminate year 2066-67 i.e. Rs. 24.~~6990335~~70 crore ~~.45~~ except FY 2065-66 i.e. Rs. 21.21~~13415.83~~ crore which is lower than the fiscal year 2064-63 i.e. Rs. 21.~~8380398~~84 crore~~.28~~. Table ~~no~~ 4.12 clearly exposes that the trend of DR are increasing since base year 2062-63 i.e. 13.33% till FY 2066-67 i.e.25.1% which are in normal condition there are not harmful but increasing trend are harmful in long run with continuous increasing on Debt or current liability. As a result of increasing debt or current liabilities and decreasing total assets have invited the increasing trend of Debt ratio (D.R) but long run insolvency is not existence. It can be presented in following pie-chart.

Figure 4.4

Pie-chart Showing Debt Ratio



ii. Debt to share capital Ratio (D/E):

The relation between total debt and share holder fund is called Debt to share capital ratio (D/E). It is a test of long terms solvency of NTV. It shows the degree of relation and protection of share capital against long tem or total debt. Here long term debt is not existence with NTV. Hence current liabilities are used to analysis the ratio. The moderate standard is 50% of the ratio. In aggressive view point, standard is above the 50% but conservative view point, standard is lower the 50%. The ratios are shows the below table ~~no~~ 4.13:

Table ~~No.~~ 4.13

Debt to Share capital Ratio (D/E)

Rs. in crore

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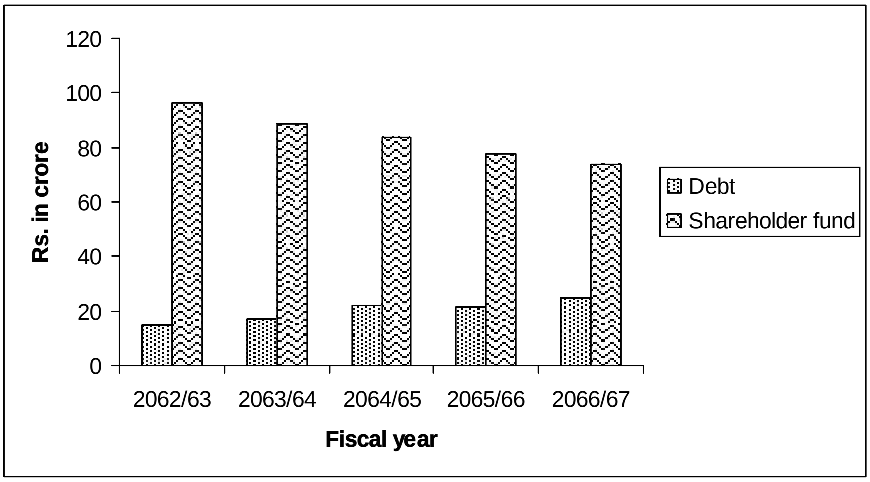
F.Y.	Debt (Rs)	Shareholder fund (E) Rs	D/E%
2062/63	14.77~~147721629.56~~	96.16~~961576688.10~~	15.36
2063/64	17.25~~172469868.36~~	88.37~~883699736.53~~	19.52
2064/65	21.84~~218380398.28~~	83.76~~837606977.23~~	26.07
2065/66	21.21~~212113415.83~~	77.68~~776801323.82~~	27.31
2066/67	24.70~~246990355.45~~	73.72~~737160322.76~~	33.51

Source: Appendix B and P.

Seeing Table ~~no.~~ 4.13, share holder funds are decreasing trend since base year 2062-63 i.e. Rs. 96.~~1576688~~16~~.1~~ crore till the FY 2066-67 i.e. Rs 73.~~7160322~~72 crore ~~.76~~ continuously but debt or current liabilities are in increasing trend since base year 2062/63 i.e. Rs. 14.77~~21629.56~~ crore till Fy 2066/67 i.e. Rs. 24.~~6990355~~70 crore~~.45~~, as a result of this case the D/E are in increasing trend since bas year 2062/63 i.e. 15.36% till end year 2066/67 i.e. 33.51%gradually but not cross the 50%. Now a days, it is a conservative way. Btu the increasing trend in same way, it creates trouble in long-term nearest future. These are satisfactory in the study five year period. It can shown in following bar diagram.

Figure 4.5

Bar Diagram Showing Debt and Shareholder Fund



4.2.5 Ratio of Other Financial Indicators for NTV

The various types of financial ratios have been highlighted just in above. The Nepal television enterprise is neither manufacturing nor trading rather it is a service motive with partially business objectives. So some financial indicators of NTV have not been included in above ratio. Such uncovered variables will be analyzed with the help of the following ratios:

i. Share Capital Multiplier: The relation between total assets and shareholders fund is called share capital multiplier. It indicates the effective utilization of assets by raising fund from share capital. Some extent greater share capital multiplier is good. The ratio are shown in the below table ~~no~~ 4.14 form five years data under study.

Table ~~No.~~ 4.14

Share Capital Multiplier

Rs. in crore

F.Y.	TA (Rs.)	Shareholder fund (E) Rs	Shareholder's multiplier
2062/63	11.09	96.16~~961576688.10~~	1.15x
2063/64	10.56	88.37~~883699736.53~~	1.20x
2064/65	10.56	83.76~~837606977.23~~	1.26x
2065/66	9.89	77.68~~776801323.82~~	1.27x
2066/67	9.84	73.72~~737160322.76~~	1.34x

Source: Appendix B and P.

Table 4.14 clearly reveals that the trend of total assets is decreasing. Similarly, the trend of share holder fund is also decreasing but share capital multiplier's trend are in increasing i.e. 1.15x in Fy 2062/63, 1.2 x in Fy 2063/64, 1.226x in Fy 2064/645, 1.22 in Fy 2065/66 and 1.34x in Fy 2066/67. Increasing trend of share capital multiplier is in good but in five years study period, it is low times which is not satisfactory. The low time's cause is not use of debt capital to invest total assets. Share capital is invested to purchase or use of fixed assets and current assets.

ii. Staff Expenditure to Total Expenditure (SETE)

The relation between staff expenditure and total expenditure is called staffs expenditure to total expenditure ratio SETE). It indicates the portion of staffs expenditure on total expenditure. Lower SETE is in good, it indicates the economy in staffs expenditure. The ratios are shown in the below table 4.15 as under the five years study:

Table 4.15

Staff Expenditure to Total Expenditure Ratio

Rs. in crore

F.Y.	Staff expenditure (Rs.)	Total expenditure (Rs.)	SETE (%)
2062/63	8.37	32.91	25.43
2063/64	11.18	31.64	35.34
2064/65	12.78	30.05	42.51
2065/66	12.45	29.13	42.75
2066/67	16.10	32.79	49.10

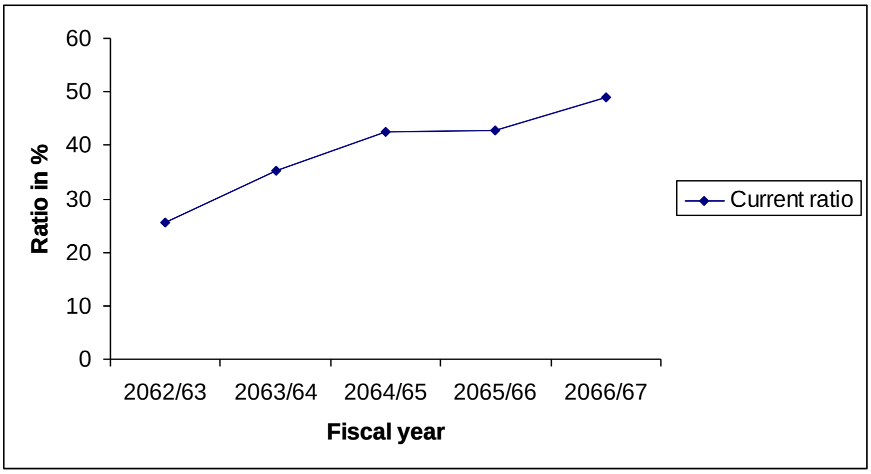
Source: Appendix A, I and P.

Table 4.15 clearly reveals that the staff expenditure are gradually increasing since base year 2062/63 i.e. Rs. 8.37 crore till study end year 2066/67 i.e. Rs. 16.10 crore except Fy 2065/66 i.e. Rs. 12.45 crore which is lesser than the Fy 2064/65 i.e. Rs. 12.78 crore. Similarly, total expenditure are decreasing trend since base year 2062/63 i.e. Rs. 32.91 crore till Fy 2065/66 i.e. Rs. 23.91 crore but in Fy 2066/67, total expenditure has increased to Rs. 32.79

crore. Again, SETE are in increasing trend since base year 2062/63 i.e. 25.43% till Fy 2066/67 i.e. 49.10%. So increasing trend of SETE is not good or satisfactory. By table 4.15 at last Fy 2066/67 nearly half expenditure is staff expenditure on total expenditure. It is not satisfactory. The management is failure to control staffs expenditure, it has been caused by over staffing. Management cannot take work done form staffs properly. It is bad thing for NTV.

Figure 4.6

Trend Line Showing Staff Expenditure to Total Expenditure Ratio



iii. Depreciation to Total Expenditure (DTE)

The relation between depreciation expenditure and total expenditure is called depreciation to total expenditure ratio. It shows the portion of depreciation expenses on total expenditure. Lesser percentage is preferable than the greater percentage. the ratios are exposed in the below table 4.16 under study:

Table 4.16

Depreciation to Total Expenditure Ratios

Rs. in crore

F.Y.	Depreciation (Rs.)	Total expenditure (Rs.)	DTE (%)
2062/63	9.77	32.91	29.68
2063/64	8.42	31.64	26.62
2064/65	7.79	30.05	25.93
2065/66	8.05	29.13	27.64
2066/67	7.01	32.79	21.39

Source: Appendix A and P.

Table 4.16 clearly reveals that depreciation are in decreasing trend since Fy 2062/63 i.e. Rs. 9.77 crore till Fy 2066/67, i.e. Rs. 7.01 crore except Fy 2065/66, i.e. Rs. 8.05 crore which is greater than the Fy 2064/65 i.e. Rs. 7.79 crore. Similarly, DTE is also in decreasing trend since Fy 2062/63, i.e. 29.68% till Fy 2066/67, i.e. 21.39% except Fy 2065/66 i.e. 27.64% which is more than that of Fy 2064/65 i.e. 25.93%. Decreasing trend of DTE is good for NTV but heavy amount of depreciation are not satisfactory. Depreciation amount are not legally, it is ruthlessly deduct from fixed assets.

iv. Administration Expenses Ratio (AER)

The relation between administration expenses and net revenue is called administration expenses ratio (AER). It indicates the portion of administration expenses on the value add of net revenue. Lower percentage or AER is preferable than the more AER. The ratios are shown in the below table 4.17 under five year study:

Table 4.17

Administration Expenses Ratio (AER)

Rs. in crore

F.Y.	AE (Rs.)	NR (Rs.)	AER (%)
2062/63	12.68	24.51	51.75
2063/64	15.91	18.80	84.62
2064/65	16.22	19.59	82.80
2065/66	15.92	19.95	79.82
2066/67	19.85	23.05	86.12

Source: Appendix D, G and P.

Table 4.17 clearly reveals that the trend of administration expenses are in increasing since Fy 2062/63 i.e. Rs. 12.66 crore till Fy 2066/67 i.e. Rs. 19.85 crore except Fy 2065/66, i.e. Rs. 15.92 crore which is less amount than that of Fy 2064/65 i.e. Rs. 16.22 crore. Similarly, AER was 51.75% in base year 2062/63 but it is increased to 86.12% in Fy 2066/67. AER are in fluctuation on the study period i.e. 84.62% in Fy 2063/64, 82.80% in Fy 2064/65, 79.32% in Fy 2065/66. So increasing trend of administration expenses is not good for NTV. It is harmful to reduce the losses of NTV. Similarly, unexpectedly increase in AER is also bad with heavy percentage i.e. 6.3% from Fy 2065/66 to Fy 2066/67. Here in latest year 2066/67, if revenue is Rs. 100, administration expense portion is Rs. 86.12 on revenue which indicates the bad things for NTV. Management could not control the administration expenses. Here staffs expenditure are in so high which is created by overstaffing into the NTV.

v. Non-Operating Income to Net revenue (NINR)

The relation between non-operating income and net revenue is called non-operating income to net revenue ratio. It indicates the contribution of non-operating income to increase the revenue with among the net revenue. Higher ratio is preferable. The ratios are exposed in the below table 4.18 under study of five years:

Table 4.18

Non-Operating Income to Net Revenue (NINR)

Rs. in crore

F.Y.	Non-operating income (Rs.)	NR (Rs.)	NINR
2062/63	0.61	24.51	0.025: 1
2063/64	0.33	18.80	0.018: 1
2064/65	3.50	19.59	0.179: 1
2065/66	1.15	19.95	0.058: 1
2066/67	1.43	23.05	0.062: 1

Source: Appendix A, D and P.

Table 4.18 clearly shows the non-operating income are in fluctuating trend. The base year 2062/63, it is Rs. 0.61 crore. the highest non-operating income is Rs. 3.50 crore in Fy 2064/65. The lowest income (non-operating) is Rs. 0.33 crore in Fy 2063/64. The terminate year 2066/67, it is Rs. 1.43 crore. Similarly, the highest NINR is 0.179:1 in Fy 2064/65 when highest income (non-operating) is existence. In the table 4.18, NINR on the base year 2062/63 was 0.025: 1, next year 2063/64 was 0.018:1. So the terminate year 2066/676, NINR is 0.062:1, previous year 2065/66 was 0.058: 1. By seeing table 4.18, the trend of NINR is also fluctuating. It can be said that non-operating income contribution is very low to increase the total income among the net revenue. In latest year 2066/67, if the net revenue contribution is Re. 1, to increase the total revenue, the non-operating income contribution is only Rs. 0.062 which is very low among Re. 1. In other previous year, the NINR are in poor. Therefore, in total NINR are not satisfactory for the NTV.

vi. Revenue (Net) Growth Rate (RGR)

The relation between current year's revenue (net) minus past year's revenue (net) and past year's revenue (net) is called revenue (net) growth ratio. The ratio shows the trend of the net revenue over the years. This ratio compares the historical net revenue information with current year. These ratios are used to make comparison the efficiency of this year with lost years. Positive growth rate is good. and higher growth rate is preferable. The ratios are shown in the below table 4.19:

Table 4.19

Revenue (Net) Growth Rate (RGR)

Rs. in crore

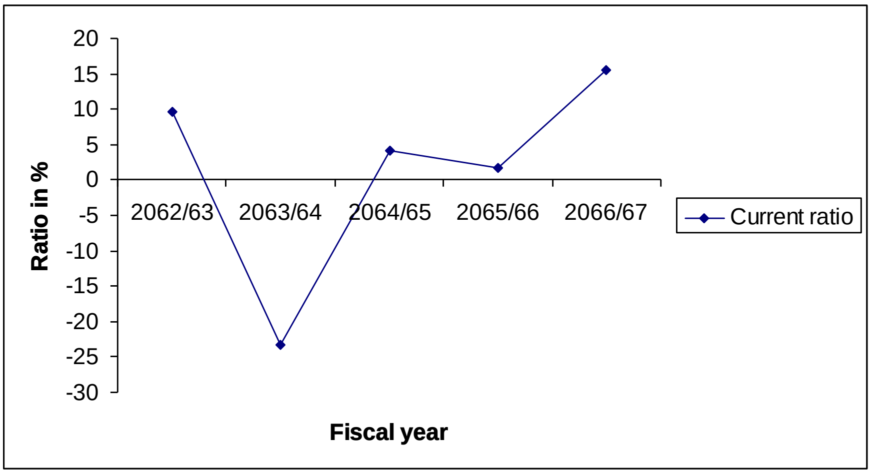
F.Y.	Current year's revenue	Previous year's revenue (Rs.)	RGR (%)
2062/63	24.51	22.37	9.58
2063/64	18.80	24.51	-23.3
2064/65	19.59	18.80	4.21
2065/66	19.95	19.59	1.8
2066/67	23.05	19.95	15.56

Source: Appendix A, D and P.

Considering in table 4.19, the RGR is -23.3% in Fy 2063/64. It means that the net revenue is decreased with heavy amount by 23.3% than the previous year 2062/63. Other RGR are in positive. Greater positive RGR is 15.56% in the Fy 2066/67 than the other fiscal year. Here, positive RGR from Fy 2064/65 i.e. 4.21% in Fy 2066/67 i.e. 15.56% is summed to result 21.57% with 1.8% of Fy 2065/66 could not meet the negative growth rate 23.3% of Fy 2063/64. It means that the net revenue could not reaches the net revenue Rs. 245109623.75 of Fy 2062/63. Hence the management try to earn more revenue then that of Fy 2062/63 i.e. Rs. 24.51 crore.

Figure 4.7

Trend Line Showing Revenue Growth Rate



vii. Operating Expenditure Growth Rate (OEGR)

The relation between current year operating expenditure minus previous year expenditure (operating) and previous year operating expenditure is called operating expenditure growth rate. The ratio shows the trend of the historical operating expenditure information with current year. These ratios are used to make comparison the efficiency of current year with previous years. Negative growth rate is good. In positive growth rate, lesser growth rate is accepted with some extent for certain period. The ratios are shown in the below table 4.20 under five year study period.

Table 4.20

Operating Expenditure Growth Rate (OEGR)

Rs. in crore

F.Y.	Current year's operating expenses	Previous year's operating expenses	OEGR (%)
2062/63	23.11	18.98	21.79
2063/64	22.74	23.11	-1.63
2064/65	22.23	22.74	-2.24
2065/66	21.05	22.23	-5.31
2066/67	25.73	21.05	22.24

Source: Appendix A and P.

Seeing table 4.20, the OEGR are 21.79% and 22.24% is base year 2062/63 and terminate year 2066/67 respectively. It is not good, positive growth rate and higher growth rate of operating expenditure is harmful for NTV which increases loss or decreases profit. Similarly, negative growth rate are increasing since Fy 2063/64 i.e. -1.63% till Fy 2065/66 i.e. -5.31% (-2.24% in Fy 2064/65) but it does not cover the positive growth rate 21.79% of Fy 2062/63 again it increased to 22.24% in Fy 2066/67 from negative growth rate i.e. -5.31% in Fy 2065/66 which is also bad thing for NTV. It means that management could not control the operating expenses to reduce loss.

viii. Net Loss Growth Rate (NLGR)

The relation between net loss of current year minus net loss of previous years and net loss of previous years is called net loss growth rate ratio. The ratio shows the trend of historical loss information with current year. These ratios are used to make comparison the efficiency of current year with previous years. The negative ratio is good. The ratios are shown in the below table 4.21 under study:

Table 4.21

Net Loss Growth Rate (NLGR)

Rs. in crore

F.Y.	Current year's net loss (Rs.)	Previous year's net loss (Rs.)	NLGR (%)
2062/63	7.79	6.52	19.44
2063/64	12.50	7.79	60.51
2064/65	6.95	12.50	-44.39
2065/66	8.03	6.95	15.50
2066/67	8.30	8.03	3.36

Source: Appendix A and P.

The table 4.21 clearly reveals that the NLGR are in positive except -44.39% in Fy 2064/65. The higher positive NLGR is 60.51% in Fy 2063/64 which is bad thing for NTV. Negative NLGR i.e. 44.39% is good for NTV because it indicates the decline of net loss in Fy 2064/65 than the previous year. But after that, in Fy 2065/66 loss has increased with 15.5% than the previous year again in Fy 2066/67 loss has increased with 3.36% than that of Fy 2065/66. So increasing losses are not good for NTV. Management must be careful to reduce the losses to survive the NTV till long-term period. NTV has increased the burden to government with heavy amount giving subsidy and investing share capital as a forms of cash.

ix. Net Revenue per Staffs (NRPS)

The relation between net revenue and no. of staffs is called the net revenue per staffs. The ratio shows the contribution of the staffs to earn the revenue. The greater ratio is preferable. It indicates the productivity of the NTV or staffs of NTV. The ratios are shown in the below table 4.22 under five years study period:

Table 4.22

Net Revenue Per Staff

Rs. in crore

F.Y.	NR (Rs.)	No. of staffs	NRPS (Rs.)
2062/63	24.51	415	0.059
2063/64	18.80	370	0.051
2064/65	19.59	383	0.051
2065/66	19.95	385	0.052
2066/67	23.05	389	0.059

Source: Appendix A, P and annual report of NTV.

The table 4.22 clearly shows that the no. of staffs were 415, 370, 383, 385 and 389 in the Fy 2062/63, 2063/64, 2064/65, 2065/66 and 2066/67 respectively. Similarly, the NRPS were Rs. 0.059 crore, Rs. 0.051 crore, Rs. 0.051 crore, Rs. 0.052 crore and Rs. 0.059 crore in the fiscal years 2062/63, 2063/64, 2064/65, 2065/66 and 2066/67 respectively. The NRPS from 2062/63 i.e. Rs. 0.059 crore to Fy 2063/64 i.e. Rs. 0.051 crore is decreased with galloping way and similarly the NRPS is increased from Fy 2065/66 i.e. Rs. 0.052 crore to Fy 2066/67 i.e. Rs. 0.059 crore with galloping way. The reason of galloping decrease and increase are higher revenue in Fy 2062/63 and 2066/67. In total the productivity of staffs are in increasing trend except the Fy 2062/63.

x. Staffs Expenses Per Staffs (SEPS)

The relation between staffs expenses and total no. of staffs is called staffs expenses per staffs. The ratios shows the contribution of the staffs to know the share of expenses with the per staff staffs expenses. It indicates the efficiency of the staffs to reduce the staff expenses lower the ratio is preferable for the organization. The ratios are show in the below table 4.23 under the five yeas study period.

Table 4.23

Staffs Expenses Per Staffs

Rs. in crore

F.Y.	Staff expenses (Rs.)	No. of staffs	SEPS (Rs.)
2062/63	8.37	415	0.020
2063/64	11.18	370	0.030
2064/65	12.78	383	0.033
2065/66	12.45	385	0.032
2066/67	16.10	389	0.041

Source: Appendix I and P.

The table 4.23 clearly reveals that the SEPS are in increasing trend from Fy 2062/63, i.e. Rs. 0.020 crore to Fy 2066/67 i.e. Rs. 0.041 crore except in Fy 2065/66 with Rs. 0.032 crore. The ratios are Rs. 0.030 crore and Rs. 0.033 crore in Fy 2063/64 and 2064/65 respectively. The increasing trend of SEPS is not good for the NTV in long run. It is harmful to the NTV for managing the staffs. increasing trend indicates the lower efficiency of the staffs to get the work done.

xi. Total Expenses Per Staffs (TEPS)

The total expenses per staffs are shown in the below table 4.24 under the study period:

Table 4.24

Total Expenses Per Staffs

Rs. in crore

F.Y.	Total expenses (Rs.)	No. of staffs	TEPS (Rs.)
2062/63	32.91	415	0.079
2063/64	31.64	370	0.086
2064/65	30.05	383	0.078
2065/66	29.13	385	0.076
2066/67	32.79	389	0.084

Source: Appendix A and P.

Seeing the table 4.24, TEPS are Rs. 0.079 crore, Rs. 0.086 crore, Rs. 0.078 crore, Rs. 0.076 crore and Rs. 0.084 crore in the respective Fy starting with 2062/63 to the 2066/67. The TEPS are in increasing trend with fluctuation which is not well for NTV.

4.3 Cash flows Analysis

Cash is the life blood of any business organization. Without cash no business activities can be taken place. In recent years, the statement of cash flows has come to be viewed as a part of full set of financial statement. Cash flows statement provides relevant information about the cash receipts and cash payment of an enterprise during a period. Information about enterprises cash flows is useful in assessing its liquidity financial flexibility, profitability and risk. Nepal company act 2063. also made mandatory to present cash flows statement along with balance sheet and income statement. Cash flows information is widely used by investors, analyst, creditors, managers and others. This chapter describes the presentation and interpretation of the statement of cash flows. Followings are the three steps of analysis of cash flows statement:

i. Cash flows from Operating Activities

The direct method of cash flows converts its income statement from accruals basis to the cash basis. Operating activities involve producing and delivering or providing services by NTV. Cash flows form operating activities includes receipts form customers for sales of service and collection form debtors. Cash flows from operating activities include payment to creditor, employee for services, payment to purchase of service or films to the suppliers and payment to government. Indirect method is that type of method which calculates the cash flows form 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 is also considered. The cash flows from operating activities are shown in the below table 4.25 under five years study period:

Table 4.25

Cash flows from Operating Activities

Rs. in crore

F.Y.	Cash flows (Rs.)
2062/63	(0.54)
2063/64	0.22
2064/65	6.62
2065/66	(2.11)
2066/67	(2.35)

Source: Appendix C

Negative operating cash flows are not good for NTV which is shown by table 4.25 i.e. (Rs. 0.53 crore), (Rs. 2.12 crore) and (Rs. 2.35 crore) for Fy 2062/63, 2065/66 and 2066/67 respectively. The positive cash flows are good for NTV which lie in Fy 2063/64 i.e. Rs. 0.22 crore and Fy 2064/65 i.e. Rs. 6.62 crore. Positive cash flows indicate the cash inflows for NTV but negative cash flows indicates the cash outflows form NTV.

In the Fy 2062/63, the cash flows is (Rs. 0.54 crore) which is shown in table 4.25 by the cause of increase in current assets (i.e. (Rs. 6.01 crore) which is cash outflows for NTV), in that too trade debtors and prepared expenses are increased by Rs. 4.58 crore and Rs. 2.57 crore respectively (See Appendix C). But current liabilities are also increased by Rs. 2.43 crore which is cash inflows for NTV (see appendix C). Current liabilities have increased with very low amount among the current assets by this cause operating cash flows is in negative.

In the Fy 2065/66, the cash flow is (Rs. 2.12 crore) from table 4.25 by the cause of increase in current assets by Rs. 4.90 crore (See appendix C) which is cash outflows for NTV. Cash has been engulfed with trade debtors by Rs. 0.39 crore (See appendix C). So over expenses are paid in advance by Rs. 0.54 crore (See appendix C). Similarly, the interest income i.e. Rs. 1.09 crore (See appendix C) is not operating income which is decline the operating loss; it is drawn from operating activities by the cause of this incurred the loss. The current liabilities are also increased by Rs. 0.07 crore (See appendix C) is cash flows for NTV which is not sufficient to meet the increase in CA to make positive cashflow.

In Fy 2066/67, the cash flows is (Rs. 2.35 crore) from table 4.25. The reason of negative cash flow is increase in current assets by Rs. 3.16 crore (See appendix C). Cash is blocked by trade debtors (i.e. Rs. 2.08 crore above in this year than the previous year (See appendix C). So paid in advance are increased by Rs. 1.01 crore (See appendix C). Similarly, withdrawn of interest income has increased the losses form operating activities. The current liabilities are increased by Rs. 0.49 crore (see appendix C) which is cash inflow increased by very low amount than the current assets.

In Fy 2063/64, the cash flow is Rs. 0.22 crore from table 4.25. The reason of positive cash flow is decline in the current assets by Rs. 1.64 crore (See appendix C). Prepaid expenses is decreased by Rs. 2.01 crore (See appendix C) which is cash inflow for NTV. Increase in trade debtors are very low i.e. Rs. 0.53 crore (See appendix C). then the other Fy research period. So interest income is very low i.e. Rs. 0.27 crore (See appendix C) which increases the loss very low amount with drawing from operating activities which is non-operating income. Similarly, current liabilities are deceased by Rs. 1.04 crore which is cash out flow for NTV. It is lower than the current assets. Therefore cash from operating activities are in positive.

In Fy 2064/65, the cash flow is Rs. 6.62 crore which is shown in table 4.25. The reason of positive cash flow is to be collected cash from trade debtors or decreased debtors by Rs. 6.43 crore (see appendix C) as a result the current assets is also decline by Rs. 4.66 crore (See appendix C). So loss Rs. 6.95 crore is less than the depreciation amount i.e. Rs. 7.79 crore (Appendix C). Depreciation is cash inflows for NTV which help to make positive cash flows. Current liabilities is increased by Rs. 1.08 crore (See appendix C) which is cash inflows the NTV. It helps to make positive cash flows. Interest income Rs. 3.45 crore (Appendix C) is less than the cash collection from debtors. Therefore, it has not pushed to the negative cash flow.

Seeing operating cash flows in table 4.25, fiscal year 2062/63, 2065/66, 2066/67 are not good because these year NTV has faced the negative cash flows. To fulfill the negative cash flows NTV has requested to invest with subsidy as a forms of share capital to the government. Negative operating cash flows indicate the heavily loss on enterprise or higher expenditure in cash than the revenue in cash which is bad thing for enterprises. Positive cash flows on Fy 2063/64 and 2064/65 are in good. It indicates the NTV could face the its expenditure in cash or loss from earn revenue in cash or collecting cash from debtors with avoiding its non-cash expenses. In general, operating cash flows are in poor or dissatisfactory because three years NTV has faced the negative cash flows.

ii. Cash flows from Investing Activities

Investing activities involve giving the collecting loans and acquiring and disposing of fixed assets. Cash inflows form investing activities are receipts form sales of shares, debenture, similar instrument of other enterprises and sales of fixed assets of own organization. Cash outflows under investing activities are purchase of share, debenture of other enterprises, purchase of fixed assets etc. Investing cash is better than putting ideal. Investing ideal cash is better with converting into cash in needed time easily and quickly. The cash flows from investing activities are exposed in the below table 4.26 under five years study period.

Table 4.26

Cash flows from investing Activities

Rs. in crore

F.Y.	Cash flows (Rs.)
2062/63	(2.94)
2063/64	(3.43)
2064/65	1.18
2065/66	(5.66)
2066/67	0.65

Source: Appendix C

The table 4.26 clearly reveals that the cash inflows from investing activities are Rs. 1.18 crore and Rs. 0.65 crore in fiscal years 2064/65 and 2066/67 respectively. Similarly, the cash outflows from investing activities are Rs. 2.94 crore, Rs. 3.43 crore and Rs. 5.66 crore in fiscal years 2062/63, 2063/64, 2065/66 respectively.

In Fy 2062/63, the cash flow is (Rs. 2.94 crore) which is shown by table 4.26 when purchase of fixed assets was Rs. 3.49 crore (See appendix C) which is cash outflows. In this year cash inflows form interest income is Rs. 0.55 crore (See appendix C) which has deducted the cash outflows in investing activities.

In Fy 2063/64, the cash flow is (Rs. 3.43 crore) which is shown by table 4.26. Heavy amount Rs. 3.70 crore (see appendix C) is invested to purchase the fixed assets which is cash outflows. Similarly cash form interest income i.e. Rs. 0.27 crore (See appendix C) is collected by NTV which support the avoidance of deficiency of cash in the organization.

In Fy 2064/65, the cash flow is Rs. 0.12 crore which is shown by table 4.26. Purchase of fixed assets is Rs. 2.27 crore (See appendix C) which is cash outflows. Similarly, cash income from interest is Rs. 3.45 crore (see appendix C) which is greater than the cash outflows in purchase of fixed assets. By the reason of this, cash inflows in investing activities is existence in this year.

Table 4.26 shows that the cash flows is (Rs. 5.66 crore) in the Fy 2065/66. The investment in fixed assets is Rs. 6.74 crore (See appendix C) which is cash outflows. Similarly, interest income in cash is Rs. 1.11 crore (See appendix C) which don't' meet the purchase of fixed assets. Hence the cash outflows is existence in this year.

Seeing table 4.26, the cash flows is Rs. 0.65 crore in the Fy 2066/67. Interest cash income is Rs. 1.27 crore (See appendix C) and sales of fixed assets is Rs. 0.20 crore (See appendix C). These are cash inflows from investing activities. Similarly, cash invested in fixed assets purchase is Rs. 0.64 crore (see appendix C) which is cash outflows less than the cash inflow from sales of fixed assets and interest cash income. Therefore cash inflows from investing activities is existence in this year.

Generally, cash flows form investing activities is to be negative or cash outflows. Specially cash inflows or outflows are not considered, it is managerial judgment. Management should scrutinize the uses of cash to invest in different sector which initiate to benefit the organization or NTV. Organization should take the benefit from the investing transaction. Generally, cash outflows form investing activities are fulfilled by raising fund with share capital or long-term loan (debenture issuing). Here government subsidies heavy amount in each year to fulfill cash outflows of NTV which is not good, it give the burden to the government. NTV could not be self-sufficient to drive business smoothly.

iii. Cashflows from Financing Activities

Financing activities involve obtaining resources from owners and providing them with a return of, their investment, borrowing money and repaying amount borrowed. It also includes incoming of cash by issuing of share and debenture, issue of long-term bond etc. under outgoing of cash, redemption of preference share and debenture, repayment of long-term loan, payment of dividends, repayment of principal with interest. The cash flows from financing activities are presented in the below table 4.27 under five years study period:

Table 4.27

Cash flows from Financing Activities

Rs. in crore

F.Y.	Cash flows (Rs.)
2062/63	2.75
2063/64	4.50
2064/65	2.40
2065/66	2.00
2066/67	4.50

Source: Appendix C

The table 4.27 clearly shows that the cash flows from financing activities are in cash inflows in the study period. In base year 2062/63 it is Rs. 2.75 crore. The cash inflows are Rs. 4.50 crore, Rs. 2.40 crore, Rs. 2.00 crore in Fy 2063/64, 2064/65 and 2065/66 respectively. In terminate year 2066/67, it is Rs. 4.50 crore, Rs. 2.40 crore, Rs. 2.00 crore in Fy 2063/64, 2064/65 and 2065/66 respectively. In terminate year 2066/67, it is Rs. 4.50 crore.

The cash inflows from table 4.27 is created by investment of government as a form of share capital with heavy amount to fulfill the shortage of cash in the NTV to operate business smoothly. The heavy amount investment as a share capital by government gets the return only losses which minimize the share capital in each years.

The NTV always depend upon the government to conduct business by bringing cash to operate deliberately which is not good. NTV could not survive itself operation with getting revenue.

4.4 Break Even point analysis (BEP Analysis)

At break even point, the enterprise just breaks even i.e. recovers all of its costs. In other words, break even point volume is that level of times in minutes in which the enterprises neither makes a profit nor losses. It will just be able to recovers its cost. at which the enterprise breaks the loss (minus) zone and enters in to profit zone. break even analysis helps the management to know which revenue will only recover, its cost and after which it starts giving profit. therefore it can provide only business motive organization. It provide service with availability its time (minutes) to transmit the information and films from which NTV generate the revenue Hence break even point is used to find out time (minute) in which time (minutes) NTV gains neither profit nor losses. Similarly BEP (Rs.) is also analysis. The Breakeven point are shown the below table 4.28 under five years study period:

Table 4.28

Break Even point in Rupees and times (minutes)

Rs. in crore

Fy	BEP (Rs.)	BEP time (minutes)
2062/63	38.79	1056644.89
2063/64	39.61	1683718.43
2064/65	30.21	1232482.36
2065/66	31.28	1254190.17
2066/67	34.64	1352753.28

Source: Appendix 'L'

The table 4.29 clearly reveals that the minimum amount of BEP was Rs. 30.21 crore in the Fy 2064/65. Similarly, the higher amount of BEP was Rs. 39.61 crore in the Fy 2063/64. In the base year 2062/63 BEP was Rs. 38.79 crore, so in the terminate year 2066/67, BEP is Rs. 34.64 crore. Similarly, the BEP was Rs. 31.28 crore in the Fy 2065/66. The BEP was decreased with galloping way form Fy 2063/64, i.e. Rs. 39.61 crore to Fy 2064/65 i.e. Rs. 30.20 crore by the reason of low fixed cost and others non-operating and operating expenses. The BEP (Rs.) are greater than the actual revenue by very higher amount. It indicates the NTV are not meet the BEP revenue if the actual revenue are in same trend of increasing.

Seeing the table 4.28, the lower BEP minutes was 0.1056644.89 minutes in the Fy 2062/63, so the higher BEP times was 1683718.43 minutes in the Fy 2063/64. The terminate year 2066/67, it was 1352753.28 minutes. Similarly, the BEP times were 1232482.36 and 1254190.17 minutes in the fiscal year 2064/65 and 2065/66 respectively. The BEP minutes was increased with galloping way from Fy 2062/63 to Fy 2063/64 (i.e. 1056644.89 < 1683718.43) by the reasons of higher fixed cost and others expenses with non-operating loss and less amount of contribution margin per minute i.e. Rs. 141.40 which is lower than the others CMPM of the years (see Appendix 'L'). In the table 4.27, shows the calculated BEP minutes are so many higher. While if the NTV has operated the its all possible minutes (i.e. 24 hours of NTV and 24 hours of metro, be the 1051200 minutes can not meet the calculated BEP minutes. Again the BEP minutes are in increasing trend, it is also trouble to meet the BEP minutes for NTV.

The chances of gaining of profit will be very poor for NTV in the future with considering the BEP in seeing table 4.28. The possibility of gaining profit is showing the below table 4.29 under the five years study period of the NTV:

Table 4.29

Probability of Gaining Profit or Probability of Earning Net Revenue above the BEP (Rs.) Revenue

Fy	Probability of gaining profit (%)
2062/63	0.00002867
2063/64	0.00002867
2064/65	0.00317
2065/66	0.00034
2066/67	0.00002867

Source: Appendix 'M'

Seeing the table 4.29, the higher probability of gaining profit was 0.00317% in the Fy 2064/65, so the lower chances of gaining profit was 0.00002867% in the fiscal years 2062/63, 2063/64 and 2066/67. The chances of gaining profitability was 0.00034% in the Fy 2065/6 for the NTV. Seeing the gaining of profit probability is not available or poor. All the probability are lower than the 0.01%. Therefore, it can be said that there is no chances the gaining the profit for NTV. It means that the BEP (Rs.) amount are in so high which is not possible to meet the gaining profit level earning the net revenue. Increasing trend of BEP (R.s) has created the uncertainty of gaining profit by the reason of increasing trend of fixed cost, non-operating losses and other expenses.

To gain the profit, NTV should increase the net revenue per minute. Similarly, NTV should reduces the fixed cost, non-operating loss and other expenses, in that too, NTV must control the administration expenses with staffs expenses, so depreciation must be treated with legally to manage non-operating losses. Showing the net revenue per minute, VCPM, CMPM and fixed cost with non-operating losses and other expenses in the below table 4.31 under five years study period:

Table 4.30

Statement of NRPM, VCPM, CMPM and FC with Non-Operating Loss and Other Expenses

Rs. in crore

Fy	NRPM (Rs.)	VCPM (Rs.)	CMPM (Rs.)	FC with other adjustment
2062/63	0.00037	0.00017	0.00020	21.14
2063/64	0.00024	0.000094	0.00014	23.81
2064/65	0.00025	0.000085	0.00016	19.79
2065/66	0.00025	0.000073	0.00018	22.15
2066/67	0.00026	0.000073	0.00018	24.81

Source: Appendix 'L'.

The table 4.30 clearly shows that the NRPM was Rs. 0.00037 crore in the base year 2062/63. Similarly, NRPM were Rs. 0.00024 crore, 0.00025 crore, Rs. 0.00025 crore and Rs. 0.00026 crore in the Fy 2063/64, 2064/65, 2065/66 and 2066/67 respectively. NRPM are in increasing trend from Fy 2063/64 to Fy 2066/67 without Fy 2062/63. So VCPM were Rs. 0.00017 crore, Rs. 0.000094 crore, Rs. 0.000085 crore, Rs. 0.000073 crore, and Rs. 0.000073 crore in the respective years starting with 2062/63 to the end of Fy 2066/67. The VCPM are in decreasing trend from Fy 2062/63 to Fy 2066/67. Similarly, CMPM were Rs. 0.00020 crore, Rs. 0.00014 crore, Rs. 0.00016 crore, Rs. 0.00018 crore and Rs. 0.00018 crore in the respective years with starting Fy 2062/63 to the end of Fy 2066/67. CMPM are in increasing trend without Fy 2062/63 by the reason of increasing trend of NRPM and decreasing trend of VCPM. The FC with other expenses and losses were Rs. 21.14 crore, Rs. 23.81 crore, Rs. 19.79 crore, Rs. 22.15 crore and Rs. 24.80 crore in the respective fiscal years with starting 2062/63 to the end of 2066/67. The fixed cost with other adjustment are in increasing trend with fluctuation which are shown in the table 4.31.

NTV should expand its source of revenue to meet the BEP for earning the profit. NTV must increase the NRPM than that of historical actual NRPM to gain the profit with meeting BEP. Similarly, the NTV must reduces its FC with adjustment of non-operating losses and other expenses to reaches the low amount BEP and less time period BEP by the reasons of NTV gain the profit easily. The administration expenses with staffs expenses must be reduced by the NTV which are much more than the other expenses. The administration expenses covers the 75% nearly of the total expenses (see Appendix G and J). Similarly, depreciation must be treated legally to reduces the non-operating losses which is not legally. It covers the greater portion of the non-operating expenses to increase the non-operating losses (See Appendix A).

4.5 Major Findings

Following major findings have been drawn from the study:

- The current ratios are 2.71:1, 2.29:1, 2.07:1, 1.87:1 and 1.82:1 in the 5 years study period i.e. Fy 2062/63, 2063/64, 2064/65, 2065/66 and 2066/67 respectively. Ratios are in decreasing trend. Similarly, the quick ratios are 2.29:1, 2.07:1, 1.81:1, 1.61:1 and 1.58:1 in the last 5 years study period i.e. Fy 2062/63, 2063/64, 2064/65, 2065/66 and 2066/67 respectively. It is also in decreasing trend. Both ratios i.e. CR and QR indicates the liquidity position of the NTV in short term period, thereafter they are called liquidity ratios.
- Activity ratios are included the ITR, DTR, ACP, TATR, FATR, CETR, CATR and WCTR. These ratios are called the turnover ratio which is also activity ratio. Here these ratios are summarized the separately.
- The inventory turnover ratios are 17.7x, 15.35x, 6.54x, 8.09x and 9.40 x in the 5 years study period i.e. Fy 2062/63, 2063/64, 2064/65, 2065/66 and 2066/67 respectively. The ITR is in decreasing trend till Fy 2064/65 after that it is in increasing trend with creeping.
- Debtors turnover ratios are 1.12x, 0.83x, 1.;21x, 1.2x and 1.23x in the latest 5 years study period i.e. 2062/63, 2063/64, 2064/65, 2065/66 and 2066/67 respectively. From these ratios, it can be said the ratios are in fluctuating trend. Similarly, the average collection periods are 329.67 days, 440.1 days, 302.57 days, 302.47 days and 296.25 days in the latest five years study period i.e. 2062/63, 2063/64, 2064/65, 2065/66 and 2066/67 respectively. The ACP are also in fluctuating trend.
- The total assets turnover ratios are 0.22x, 0.18x, 0.19x, 0.20x and 0.234x in the fiscal year 2062/63, 2063/64, 2064/654, 2065/66 and 2066/67 respectively. TATR are in fluctuation with seeing analysis period. Similarly, the fixed assets turnover ratios are 0.35x, 20.285x, 0.324x, 0.34x and 0.44x. In the Fy 2062/63, 2063/64, 2064/65, 2065/66

and 2066/67. The FATR are in increasing trend except in the Fy 2062/63 with 0.35x by the reason of decrease in FA causing depreciation and increasing trend of net revenue.

- The capital employed turnover ratios are 0.255x, 0.213x, 0.234x, 0.257x and 0.313x in the fiscal years 2062/63, 2063/64, 2064/65, 2065/66 and 2066/67 respectively. These ratios are in increasing trend, the reason of increasing trends are increasing trend of net revenue and decreasing trends of capital employed with causing of bearing heavy loss in each years.

- The current assets turnover ratio are 0.61x, 0.48x, 0.43x, 0.50x and 0.50x in the fiscal year 206/263, 2063/64, 2064/65, 2065/66 and 2066/67 respectively. The ratios are decreasing trend in the first three years until 2064/65 after that the CATR are in increasing trend till Fy 2066/67 but not meet the beginning year 2062/63 i.e. 0.661x. Similarly, the working capital turnover ratios are 0.96x, 0.84x, 0.84x, 1.08x and 1.20x in the fiscal years 2062/63, 2063/64, 2064/65, 2065/66 and 2066/67 respectively. These ratios are increasing trend except Fy 2063/64 and 2064/65 with 0.84x of both. The reasons of increasing trend of WCTR is decreasing trend of working capital.

- Seeing the income statement of NTV, it has faced the losses in the study period, they are operating loss and net loss. Therefore, profitability ratios represent the gross operating profit (loss) margin, net profit (loss) margin, loss on assets and loss on share capital fund.

- The gross operating profit (loss) margin are 5.71%, (20.93%), (13.44%), (5.52%), and (11.62%) in the fiscal year 2062/63, 2063/64, 2064/65, 2065/66 and 2066/67 respectively. Seeing the ratio only in Fy 2062/63 was in operating profit, another years are in operating loss. The negative GOPM are in decreasing trend till Fy 2065/66 but it has increased in the Fy 2066/67. Similarly, the net profit (loss) margin are (31.79%), (66.51%), (35.49%), (40.27%) and (36.02%) in the Fy 2062/63, 2063/64, 2064/65, 2065/66 and 2066/67 respectively. NTV has faced the net loss in the study period. The NPM (negative) are in fluctuation. It is heavily among the net revenue.

- Loss on assets are (7.02%), (11.84%), (6.59%), (8.12%) and (8.44%) in the fiscal year 2062/63, 2063/64, 2064/65, 2065/666 and 2066/67 respectively. LOA are in fluctuation with the reason of fluctuation in net loss. Similarly, the net loss on share capital fund are (8.1%), (14.15%), (8.3%), (10.34%) and (11.26%) in the fiscal year 2062/63, 2063/64, 2064/65, 2065/66 and 2066/67 respectively. These ratios are in increasing trend with galloping increase in Fy 2063/64 i.e. (14.15%) by the reasons of decreasing trend of share capital fund.
- Debt management ratios are included the debt ratios (DR) and debt to share capital fund ratio (D/E). NTV has not the long term debt. It has only short term debt (current liabilities). Calculation of DR and D/E are with current liabilities i.e. current liabilities to total assets and current liabilities to share capital fund respectively.
- Debt ratios are 13.32%, 16.33%, 20.68%, 21.48% and 25.2% in the fiscal years 2062/63, 2063/64, 2064/65, 2065/66 and 2066/67 respectively. These ratios are in increasing trend with the reason of decreasing trend of total assets in the effect of depreciation. Similarly, the D/E ratios are 15.36%, 19.52%, 26.07%, 27.31%) and 33.51% in the fiscal years 2062/63, 2063/64, 2064/65, 2065/66 and 2066/67 respectively. These ratios are also in increasing trend through the reasons of decreasing trend of shareholder fund with bearing heavy loss on each years.
- The capital fund multiplier are 1.15x, 1.20x, 1.26x, 1.27x and 1.34x in the Fy 2062/63, 2063/64, 2064/65, 2065/66 and 2066/67 respectively. The increasing trend of multiplier is good for NTV but it cannot meet the 2x which shows the portion of debt is very low that reason NTV cannot gain form opportunity of debt-capital.

- The staffs expenditure to total expenditure are 25.43%, 35.34%, , 42.511%, 42.75% and 49.10% in the five years study period i.e. Fy 2062/63, 2063/64, 2064/65, 2065/66 and 2066/67 respectively. The ratios are in increasing trend. Increasing trend of expenses are not good. Similarly, depreciation to total expenses are 29.68%, 26.62%, 25.93%, 27.64% and 21.39% in the Fy 2062/63, 2063/64, 2064/65, 2065/66 and 2066/67 respectively. These ratios are in decreasing trend except Fy 2065/66 i.e. 27.64%. The reason of decreasing trend is decreasing trend of depreciation expenses with decreasing trend of fixed assets of NTV.
- The administration expenses ratios are 51.75%, 84.62%, 82.80%, 79.82%, 86.12% in the Fy 2062/63, 2063/64, 2064/65, 2065/66 and 2066/67 respectively. The AER are in fluctuation with increasing trend. The reasons of fluctuation in AER is fluctuations in administration expenses and net revenue with increasing trend. Similarly, the non-operating income to net revenue are 0.025:1, 0.18:1, 0.179:1, 0.058:1 and 0.062:1 in the fiscal year 2062/63, 2063/64, 2064/65, 2065/66 and 2066/67 respectively. The NINR are also in fluctuation trend by the reasons fluctuation in non-operating income of NTV.
- The revenue (net) growth rate are 9.58%, (23.3%), 4.21%, 1.8% and 15.56% in the Fy 2062/63, 2063/64, 2064/65, 2065/66 and 2066/67 respectively. Similarly, the OEGR are 21.79%, (1.63%), 2.24%), (5.31%) and 22.24% in the respective way of five years Fys. Again the NLGR are 19.44%, 60.51%, (44.39%), 15.50% and 3.36% in the respective ways of fiscal years. The positive RGR cannot meet the negative RGR i.e. (23.3%). The operating expenses increase in heavily amount than the decreasing amount. Negative NLGR only in Fy 2064/65 (i.e. 44.39%), it indicates the net loss are in increasing way. The NRPS are Rs. 0.059 crore, Rs. 0.051 crore, Rs. 0.051 crore, Rs. 0.052 crore and Rs. 0.059 crore for the fiscal years 2062/63, 2063/64, 2064/65, 2065/66 and 2066/67 respectively. The NRPS is decreased from Fy

2062/63 i.e. Rs. 0.059 crore in Fy 2063/64 i.e. Rs. 0.051 crore with galloping way and NRPS is increased from Fy 2065/66 i.e. Rs. 0.00018 crore to Fy 2066/67 i.e. Rs. 0.00059 crore with galloping way by the reason of decreasing no. of staffs and increasing net revenue. Similarly, the SEPS are Rs. 0.0020 crore, Rs. 0.00030 crore, Rs. 0.00033 crore, Rs. 0.00032 crore and Rs. 0.00041 crore for the Fys 2062/63, 2063/64, 2064/65, 2065/66 and 2066/67 respectively. The SEPS are in increasing trend except in Fy 2065/66 i.e. Rs. 0.0032 crore with the reason of increasing trend of staffs expenditure.

- Cash from operating activities are (Rs. 0.54 crore), Rs. 0.22 crore, Rs. 6.62 crore, (Rs. 2.12 crore) and (Rs. 2.35 crore) for the fiscal years 2062/63, 2063/64, 2064/65, 2065/66 and 2066/67 respectively. The majority of operating cashflows are cash outflows. To fill up the cash outflows, NTV's financing is from government subsidy and forms of share capital. Similarly, the cash from investment activities are (Rs. 2.94 crore), (Rs. 3.43 crore), Rs. 1.18 crore, (Rs. 5.6 crore) and Rs. 6.54 crore in the respective way of the fiscal year from 2062/63 to 2066/67. To fill up investing cash outflows, government give the subsidy as a forms of share capital in each fiscal year. Again the cash from financing activities are Rs. 2.75 crore, Rs. 4.50 crore, Rs. 2.40 crore, Rs. 2.00 crore and Rs. 4.50 crore in the respective way of the fiscal year from 2062/63 to 2066/67. The government of Nepal has been investing the funds as a forms of share capital into the NTV which is cash from financing for NTV.
- The BEP (Rs.) are Rs. 38.74 crore, Rs. 39.61 crore, Rs. 30.21 crore, Rs. 31.28 crore and Rs. 34.64 crore in the respective year with start up Fy 2062/63 to the end of Fy 2066/67. Similarly, the BEP (minutes) are 1056644.89 minutes, 1683718.43 minutes, 1232482.36, 1254190.17 minutes and 1352753.28 minutes in the respective year starting with Fy 2062/63 to the end of Fy 2066/67. The BEP in minutes are so much

which are out of total available time i.e. 24 hours metro and 24 hours NTV. So probability of gaining profit are 0.00002867%, 0.00002867, 0.00317%, 0.00034% and 0.00002867 in the respective year starting with Fy 2062/63 to the end of Fy 2066/67. It means that there is no any chances of gaining profit by the NTV.

CHAPTER V

SUMMARY, CONCLUSION AND RECOMMENDATIONS

Based on the findings of analysis the concluding chapter under a heading of summary, conclusion and recommendations comprises the mentioning of topic thing to make it possible for improving the financial performance of NTV are discussed in this chapter with the following ways:

5.1 Summary

NTV a pioneer television enterprise having a long history of existence compare to other television broadcasting company has been found to be financially sound at a glance with government support as a forms of share capital and subsidy. n this study the all focus is made regarding how it can growth, how it could perform financially and then providing suggestion to improve the financial position in the days will come.

The financial analysis is the process of identifying the financial strength and weakness of the firm. In this study the financial analysis has been adopted to know the performance of the NTV over the period of five years.

The study has been divided into five chapters. In first chapter, introductory part has been discussed. In the second chapter literature review has been done, in which, various theoretical as well as empirical study has been considered relating to financial performances. In theoretical review, different theories regarding financial performance has been mentioned and in empirical part, different previous research studies done entitled financial performance has been discussed. Chapter three clears the methods and techniques used in the research, where research design, population and sample, sources of data collection, analytical tools used in the research have been mentioned. In this research, all secondary sources of data have been used. Collected data have been analyzed and interpreted with the help of financial and statistical tools. In chapter four data and information have been analyzed, and interpreted and major findings have been also incorporated. Chapter five deals with summary, conclusion and some recommendations for improvement have been incorporated.

5.2 Conclusion

At the liquidity ratios point of view, NTV is in strong condition. The CR are in normal condition like 2:1 and QR are also in standard like 1:1 over in the study period if short term creditors claimed their loan, NTV can easily pay their claim by using its current assets and quick assets. NTV will not be liquidated in the short run with considering CR and QR or liquidity ratios. It is satisfactory for the NTV.

At the activity ratios point of view, NTV is in satisfactory level in average. NTV is in strong position with considering ITR. ITR are in increasing trend from the Fy 2064/65 to Fy 2066/67 (i.e. 6.54x, 8.09x and 9.4x regularly). It is good for NTV. The DTR shows the weak position of NTV. Heavily cash amount has been fulfilling with debtors, it creates the cash deficiency in the NTV which is not good similarly ACP are in very long time period i.e. 329.67 days, 440.1 days, 302.57 days, 302.47 days and 296.25 days in the respective year starting with Fy 206/263 to the Fy 2066/67 indicates the portion of debtors on the net revenue is very high which creates the operating cash outflows, it is not good to NTV. Utilization of total assets and fixed assets are so poor. The TATR and FATR are very low times assets are not utilized properly to generate revenue. The TATR are 0.22x, 0.18x, 0.19x, 0.20x and 0.234x and FATR are0.35x, 0.29x, 0.32x, 0.34x and 0.44x in the respective year with starting Fy 2062/63 to Fy 2066/67. These ratios are not satisfactory level with the reason of the assets are greater than the net revenue, it creates loss for NTV. To put in BEP the revenue must be greater than its total assets and fixed assets. Hence the utilization of capital employed is also poor. The CETR are 0.26x, 0.21x, 0.23x, 0.26x and 0.31x in the respective study period. Capital employed is greater than the net revenue. It indicates the heavily amount invested as a forms of capital employed to generate few revenue which is not satisfactorily. Similarly, the utilization current assets and net working capital are in poor.

Greater portion of the current assets are covered by the debtors which is the part of net revenue that is collected later like after 1 year. Hence current assets could not generate the net revenue properly.

From the profitability point of view, NTV has faced the loss in each year which is not good. Similarly, the GOPM are also negative except the 5.71% in the Fy 2062/63 which is also bad for NTV. It indicates the long run solvency, if government don't' support the financially forms of subsidy, NTV will liquidate in the nearest future. LOA and LOE are also in high percentage i.e. 8.44% and 11.26% respectively in Fy 2066/67. These ratios are in increasing trend (see table 4.11) which is bad for NTV. Similarly, NPM are in negative with fluctuating increasing trend (see Table 4.10) which is also very bad for NTV. Seeing the profitability ratios, the management of NTV could not reduce the net loss. Efficiency of management is so poor.

At the debt management ratio point of view, the debt ratio are 13.32%, 16.33%, 20.68%, 21.48% and 25.1% in the respective study period. It indicates the contribution of debt to create the total assets or debt portion on total assets. Which is good for the conservative but in total it is not satisfactory, these ratios are very low by the reason of lack of long-term loan. NTV could not take the opportunities without bringing the long-term debt. Similarly, the contribution of debt on total capital is also poor. The D/E ratios are 15.36%, 19.52%, 26.07%, 27.31% and 33.51% in the respective study period. Short-term debt are in increasing trend which is not good. Here the NTV could not manage the leverage of debt and owner capital fund which is not beneficial for the NTV.

Increasing trend of capital multiplier is good for NTV (see Table 4.14) but these ratios could not meet 2x. Hence it is not satisfactory which indicates the rising assets form the contribution of debt is very low. Increasing SETE is not good (See Table 4.15). Nearly half of the total expenses is covered by the staffs expenses in the Fy 2066/67, which is derived from over staffing and lack of efficiency of controlling expenses without getting work done. It is not good for NTV. DTE is in decreasing trend (see Table 4.16) which is good for NTV.

Increasing trend of AER is not good for NTV (see Table 4.17) AER is 86.12% in the Fy 2066/67 which is very high if net revenue is Rs. 100, the administration expenses is Rs. 86.12 which is not good. Management must control the administration expenses to save the organization or NTV. To increase the total revenue, the non-operating income contribution is very low with comparing the net revenue (see table 4.18) which is also not satisfactorily. RGR are very low in that too negative RGR in the Fy 2063/64 i.e. -23.3% is bad which indicates the reducing the net revenue among the previous year. After Fy 2063/64, the RGR are in increasing trend which is good and satisfactory level (See table 4.19). The negative OEGR are very low than the positive OEGR which is not good, which indicates the deducted operating expenses are uses than the rise up expenses (see the table 4.20). Positive NLGR is not good except negative NLGR in the Fy 2064/65 i.e. -44.39% which indicates the decrease a net loss than the previous year by heavy amount (see table 4.21). The productivity of a NTV is very low. The revenue is lower than the total expenses. Revenue per staffs are lower than the total expenses per staffs which is not good (see table 4.22, 4.23 and 4.24).

At the cash flows point of view, operating cash outflows are not good for NTV which indicates the business operation is very poor. Cash collection from debtors is late but cash payment to creditors is fast which affect the cash conversion cycle with heavy amount investment in working capital. To fulfill operating cash outflows, NTV is to request to the government for financing as a form of share capital and subsidy which is not good. But operating cash inflows is good for NTV. Similarly, generally cash from investing activities are cash outflows. Investment of cash is to generate revenue for that management should consider the profitable investment, but management could not seek the profitable investment and utilization of assets is poor which is created form cash investment with investing activities which is harmful for the NTV. Source of fund raising for the NTV is government. Government has been investing heavy amount each year as a form of capital and subsidy into the NTV. If government don't' support with the financing, NTV will liquidate in the nearest future with facing cash crisis or liquidity crisis.

At the BEP point of view, there is less possibility of earning profit by the NTV or there is no probability of earning above the break even revenue (See table 4.30). If that trend is retained, NTV should not earn the profit in the future. Operation of NTV is very bad with the probability of earning profit view. Similarly, the BEP (minutes) are also very high which is not met, if NTV launch the program in its total available time i.e. 24 hours NTV and 24 hours metro (see the table 4.29) of that reason NTV cannot go profitable situation if this trend lies in the future.

In total financial performance of NTV are very poor. Generally NTV has been facing with the loss since its establishment period till date. This is not well case. Similarly, NTV depends on the government to launch the smoothly through taking subsidy. NTV has poor leverage to maintain the capital ratio. It has no debt capital with the reason of that LOE are in high percentage which is not good. Hence the financial performance of NTV are not satisfactorily.

5.3 Recommendations

Based on summary and conclusion mentioned above, the researcher has come to the point to provide some useful and feasible suggestions to the NTV. The suggestion is provided below will be a guide to improve the existing financial performance of NTV in the days to come:

i. Trade debtors could not increase the net revenue. Therefore NTV should control the credit revenue to increase the DTR to reduce the investment in working capital or trade debtors. Similarly, management of NTV should take the tight collection policy to reduce the ACP for taking opportunities gain above the incremental cost. The NTV should analyze each and every measures in relation to their cost and benefits. The incremental costs involve in any collection program should be always less than the incremental benefits from that program. The opportunities cost of funds should be takes in to consideration while analyzing the feasibility of new programmed. If incremental cost is higher than incremental benefit the NTV should not adopt the new collection policy other than vice-versa. The debtors are main element for the success of collection policy. So the NTV should convince them how they are benefited from the new policy. The NTV may establish a separate cell to manage the receivables to launch various techniques. NTV may launches the credit term like 2/60 net 250 days to collect cash from debtors very fast to avoid operating cash crisis and gain the opportunity benefit. According to this policy the debtors are asked to pay their account amount within 250 days. But if any debtors clears the his or her or its account within 60 days, the NTV offers the cash discount 2% on their total bills. Beneficial and non-beneficial case are shown in the appendix O. Form the appendix O, the estimated net saving will be Rs. 4676712.33 in the Fy 2067/68 applying the terms, the bad debt losses and collection expenses will be minimum. Hence NTV is benefited to launch the credit terms. So NTV may use the NPV method of receivables management of select the appropriate credit days.

ii. NTV could not utilize its fixed assets. There for the management of NTV should utilize the fixed assets properly to generate revenue. Management may apply the PBP, NPV and IRR technique to purchase the fixed assets in the coming days. Similarly before arriving purchase decision of fixed assets, management must think about the beneficial of lease purchase and cash purchase. It is the most usable technique of decision making with purchase or investment in fixed assets which reduces the operating cost of NTV.

iii. NTV may apply the LPP model to maximize revenue, to minimize cost and to minimize its loss with taking technical consultation service from the expert of operation management.

iv. NTV has not long term debt. Therefore the managers of NTV may design the sufficient capital structure reduces the loss on share capital fund. Moderate capital structure to reduces the loss on share capital fund. Moderate capital structure i.e. 50% of debt capital and 50% of share capital may suitable for the NTV.

v. Productivity of the NTV is very low. Total expenses per staffs is greater or higher than the net revenue per staffs which is harmful for the NTV. Therefore management should reduces the total cost of NTV in that too the administration expenses with staffs expenses is very high i.e. 86.12% on total net revenue is the FY 2066-67 which is in increasing trend each year. Hence the management should consider the that case to save the NTV from harmful cases. Similarly over staffing may reduce to minimize staffs expenses, nearly 50% of the expenses is covered by the staffs expenses (see table 4.15) which is also in increasing trend. So management need to reduces the non operating loss to minimize the loss. To reduce the staffs expenses, management may hire the wage base staffs and contract base staffs similarly management may hire outsourcing based from which NTV has not burden that of permanent staffs. At lost the management of NTV may try to get much more work done from the staffs to maximize the productivity of the NTV. Operating expenses are also in increasing trend, management should consider to control the that type of expenses.

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