CHAPTER- I

INTRODUCTION

1.1 General Background

The starting point in preparing profit plan is the sales plan, which displays the projected sales in units and Rupees. The sales planning process is an essential part of profit plan and control because, it provides for the basic management decisions, about marketing and based on these decisions it is an organized approach for developing a comprehensive sales plan. If sales plan is not realistic and relevant, most if not all of the other parts of overall profit plan are also not realistic. Therefore, if the management believes that a realistic sales plan cannot be developed, there is little justification for PPC, Similarly, if it were impossible to assess the future revenue potential of a business, there would be little or no incentive to investors and prospective investors, Hence, the sales plan is both ends and means of revenue planning.

The preparation of a sales plan requires forecasting of sales, the sales forecasting is one of the inputs in sales plan. A critical step in the budgeting process sales forecast as distinguished from a sales plan is a technical projection of the potential customer's demand for specified time horizon with specified underlying assumption. It is converted to a sales plan when management has brought to bear on its judgment-planned strategies, commitment of resources and the managerial commitment to aggressive action to attain sales goal. Sales plan provides standard for comparison with the result actually achieved thus it is an implement control device of management, where forecasting represents merely a probable events over which no control can be exercised.

Revenue Planning is process of identifying strategies for generating funding. The process entails a through analysis of how best to maximize revenue to ensure adequate short and long term funding for programs and activities certain funding sources.

"Every enterprise has its own goals and objectives. The management of the organization is responsible for the decision making, planning, formulating strategies and their implementation. The management is efficient if it is able to accomplish the objectives of the enterprise. It is effective, when it accomplishes the objectives with minimum effort and cost. In order to attain long-range efficiency and effectiveness, management must chart out its course of action in advance. A systematic approach that facilitates effective management performance is profit planning and control or budgeting. Budgeting is therefore and integral part of management. In a way, a budgetary control system has been described as a historical combination of a goal-setting machine for increasing and enterprises profit and goal achieving machine for facilitating organizational coordination and planning while achieving the budgeted targets" (Bajracharya, et al., 2068: 29).

Moreover, a profit plan or budget is the formal expression of the organizations plans and objectives stated in financial terms for a specified future period of time. "Revenue is the aggregate exchange value of goods and services provided to the customers. In other words, revenue is any from of income earned by the organization in an accounting period. Revenue results from the sale of goods and rendering of services and measured by the charge made to customers, client or tenants for. It also includes gains from the sale or exchange of assets other than stock in trade, interest and dividends earned on investments and other increases in the owner's equity except those arising from capital contributions and capital adjustments. Revenue from ordinary sales or from other transaction in the ordinary course of business is some times described as operating revenue" (Bhattacharya & Dearden, 1980: 137).

"Defined in its simplest terms planning is the determination of anything in advance of action, it is essentially a decision making process that provides a basis for economical and effective action in the future. Effective planning sets the stage for integrated action to take places, reduces the number of unforeseeable crises, promotes the use of more efficient methods and provides the basis for the managerial function of control. Thereby assuring focus on organizational objectives" (Finney & Miller, 1963: 49)

Revenue planning is the future estimation of revenue which displays the projected sales, income and future cash inflow. The revenue planning estimates are only a guide to the level of future revenues, not a guarantee. If the economy remains strong, the planning estimates are likely to underestimate future revenues. But, if the economy fails to perform at the high level anticipated in the control, the planning estimates will overstate future revenues. The revenue planning process is a necessary part of overall profit planning and control (PPC) because (a) it provides for the basic management decision about marketing (b) based on those decisions, it is an organize approach for developing a comprehensive sales plan. If the revenue plan is not realistic, most, if not all of the other parts of the overall profit plan also are not realistic. Therefore, if the management believes that a realistic revenue plan cannot be developed; there is little justification for PPC.

Analysis of revenue planning is a crucial part of overall profit planning of business enterprises. Poor system of planning adversely affects profit planning. Thus, periodical analysis and review of revenue planning is necessary in order to ensure smooth functioning of enterprises.

Budgeting is the key to financial planning and control. Though profit planning is the essence of management and revenue planning is the starting point of overall planning process. Therefore, every business and non business organization should prepare revenue plan which is prepared on the basis of sales forecast. Systematically and properly prepared revenue planning only plays vital role for effective utilization of resources and control system.

Cash is the most important assets for the operations of the business. It is an idle and non earning asset. Therefore, the firm should keep sufficient cash, neither more nor less. More cash balance reduce the rate of return on equity and hence the value of the firm's stock. The term cash includes coins, currency and cheques hold by the firm and balances in its bank account. Sometimes non cash items such as marketable securities or bank deposits are also included in cash. Cash management involves managing the cash of the firm to maximize firm's value by keeping ideal cash balance. The task of cash management is to determine how much cash a firm should have on hand at any time to ensure normal business operations continue without interruption. If a firm holds more cash than its requirements, shareholder's returns will not be maximized. Cash management involves several functions such as cash planning, managing cash flows, identifying optimal cash balance and proper utilization of cash etc. The essence of cash management is the preparation of cash budget and cash flow statement which projects and identifies the inflow and outflow of cash. Thus, cash budget is also a key to the overall comprehensive profit plan. It provides measures and guide lines for effective control of cash.

At a short glance on historical perspective of economic development, it can be forced back to the industrial revolution that states in Great Britain in the last decades of eighteenth century. Industrial revolution brought changes in different aspects of human life such as socio-economic, demographic and political and the revolution spread all over the Europe. Due to the revolution many small scale industries converted into the large scale industries and started their mass production. Large scale industries incorporated in the form of limited company.

People of Europe grabbed the revolution and marched in to the large scale industries from agriculture and small scale sole trading concern. Due to the certain limitation of sole trading concern, many business organizations established in the form of partnership and partnership also couldn't fulfill all the requirement of the business organization because of its drawback such as lack of capital, unlimited liability and lack of effective management. Then the concept of the limited company emerged to fulfill the entire requirement for successful operation of the business organization.

At a short glance on historical perspective of economic development, different economic concept and system practiced in various time spans. Different economists suggested different economic concept for the efficient operation of the economy. The classical economist postulated "laissez faire doctrine" in 19th century against the control of the government in the economy. Under the laissez faire doctrine the role of government started to decrease. Another strong economic concept and system as called socialist economy came into its existence along with the establishment of former USSR in 1917and challenged the free market economic system. Under the socialist economic system, there was a totalitarian authority which controlled the entire economy of the country. In such nation, government imposed centrally controlled economic policy and system. After the great economic depression in 1930, another popular concept of mixed economic system emerged by allowing co-existence of both private and public sector. Under this economic system, government plays vital role for the efficient operation of the economy. Government plays promotional role by investing for infrastructure development where the huge amount of capital needed. In this era, most of the countries around the world are operating their economy under the mixed economic system.

Due to the wave of industrial revolution, many large scale business organizations established. But when the business organizations were on their expansion and enlargement, unfortunately the World War I broken out and suffered not only political sector but also business and economic sector of the world. As a result of World War I, business and economic sector lost its spirit and rhythm. That was the bitter experience which had been born by human being during the period of First World War. After the world war, business and economic sector re-organized and they resumed their operation, but the environment was not clean. It was totally influenced by political instability of the world. Every nation of Europe America and Asia concentrated to expand their military power being influenced by militarism.

"As a result of militarism another devastating war broke out and devastated all over the world. The war attacked on the destiny of human being. Millions of people lost their life and home. Almost all the business organization forced into shut down. World War II suffered the economy of entire world. After the termination of World War II, scenario of the whole world totally changed. The world politically divided into two polar. Almost all the countries of the world polarized in two parts according to their political system and philosophy. A polar led by Moscow (former USSR) following communism by centralizing all power and state's activities. In the communist countries business and economic sector was controlled by the nation. In the other hand, another polar led by Washington (USA) following free market economy. The polar led by USA, western European and some Asian and American countries were involved. Under capitalism, the concept of decentralization had been used and states power didn't concentrate its mind to control activities conducted by their people" (Lynch & Williamson, 1998: 129-133).

"After the termination of World War II, business and economic sector reconstructed and reorganized by spending millions of dollar. Then clean environment created for expansion and development of business organization and they took their way by performing different kinds of business activities. Scientific and technological achievement also eased the way of business & commerce. Every nation around the world concentrated their efforts for their economic development. Every government participated directly in the process of economic development by investing and operating many public enterprises. After the termination of cold war, another concept of globalization and liberalization came its own existence and under this concept many multinational company established and started to provide their production and service all over the world. In this way, passing different ups and downs, business and commercial sector became successful to come in this present stage and now resuming its operation on the early 21st century" (Lynch & Williamson, 1998: 129-133).

In the context of Nepal, business and commercial sector is just creeping now. It is obvious that, Nepal is a developing country. The majority of the people are engaged in agriculture. Hence, the commercial sector is very backwards so far than other developed countries. In the period of Panchayat regime, many manufacturing & service oriented public enterprises were established to play the vital role for economic development of the nation. Government spent huge amount in public utility sector such as water, telecommunication and electricity. But their performance was not satisfactory. After the restoration of democracy, private sector started to play crucial role for the development of the country. After the political change, public enterprises started to privatize due to their poor performance. So, the business and commercial sector in Nepal taking its way to the expansion and development. Once again, the Maoist insurgency hit all over the country almost 12 years and created many difficulties for business and commercial sector. Now, the situation has totally been changed because the CPN-Maoist came to the negotiating table and entered into the peace process. Through the recently held constitutional assembly election, CPN-Maoist emerged as a largest political party. Thus, the ray of hope and clean environment for the expansion and development of business and commerce has been emerged.

A Brief Profile of NTC

This dissertation is conducted on Nepal Telecommunication, one of the public utility enterprises in Nepal. At a short glance of the telecommunication history in Nepal, its development began from a very few lines reaching to huge exchanges in Kathmandu valley and other parts of the country. Telecommunication development and urbanization went hand in hand. Though rate of telecommunication growth is a higher than that of urban population in recent years. After a stunning series of development, Nepal telecommunication was finally established in 2031 Ashad 1st under Telecommunication Act 2028 as public enterprises to provide reliable and affordable telecommunication.

The main purpose of establishment of Nepal Telecommunication (NTC) in Nepal was to strengthen the administrative efficiency of the government. It was later expanded to serve the needs of development of various sectors as expansion of foreign trade, tourism development and international integration. NTC was dissolved and converted to Nepal Doorsanchar Company Limited (Nepal Telecom) from 1st Baisakh 2061 (13th April 2004). The new company was registered with the Company Registrar Office on 2060-10-22 under company act 2053. However, the company shall also be known to general public by the name NEPAL TELECOM as registered trademark (NTC, 2012-03:3).

Nepal Telecom, as a progressive, public spirited and consumer responsive entity, is committed to provide nationwide reliable telecommunication services to serve as an impetus to the social, political and economic development of the country. Nepal Telecom's vision is to remain as a dominant player in the telecommunication sector of the country while extending reliable and affordable telecommunication services to all regions including the remotest area of the country and at the same time retaining its present sound financial health even in the coming competitive environment (NTC, 2012-03:3).

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

The history of rural telecommunication begins from late 1980's and this service is playing the role of catalyst for the economic development. Many place getting initial services of a single line VHF services were already passed to many phases like VHF-MARTS-CDOT 500 line change with in the period of less than 15 years before. The fast urbanization process is creating high demand of telephone lines throughout the country and all small exchanges are running to their fullest capacity with in a year of their installation. Globalization has made it compulsory to integrate all domestic market with regional and global markets and the fast growth of telecommunication is essential for such integration (NTC, 2012).

The study mostly deals with the revenue planning and cash management of Nepal telecom. Also the study takes over the account of various methodologies of the implementation, current technologies used in the telecommunication and its future policy. The study also depicts the future of telecommunication in Nepal. Nepal telecom is one of the most prominent public enterprises that is earning relatively good profit and paying highest taxes to government exchequer. The main purpose of establishment of the company in Nepal was to strengthen the administrative efficiency of the government. Nepal telecom, even with its present status of being a public sector enterprise, has the ambition of becoming a dominant player in the telecommunication sector, giving an affordable and the cheapest possible services to all regions including the remotest areas of country retaining its present financial health even in the coming competitive environment. "Goal of Nepal Telecom is to provide cost effective telecommunication services to every nooks and corner of the country" (NTC, 2012: 03). It was later expanded to serve the needs of development of various sectors as expansion of foreign trade tourism development and international integration.

The other objectives adopted by Nepal Telecom are as follows:

a) To provide high quality, reliable and economic services including remotest area of the country.
b) To exchange information for the preparation of fundamentals for development of the nation.
c) To establish telecommunication links among the countries around the world.
d) To participate the publics in telecommunication so as to uplift their living standard.
e) To provide prompt services to the places of demand.
f) To introduce new technologies and cope up with time and tradition.

Nepal Telecommunication has operating its activities with its distinct vision and mission. "Vision of Nepal Telecom is to remain a leading player in telecommunication sector in the country while also extending reliable and cost effective services to all" (NTC, 2012: 03).

The mission of the company is: "Nepal Telecom, as a progressive, customer spirited and consumer responsive entity, is committed to provide nation-wide reliable telecommunication services to serve as an impetus to the social, political and economic development of the country" (NTC, 2012:03).

Since, telecommunication is informative services, many fields such as agriculture, business, transaction and other socio-economic sectors use these services heavily. Telephony has now plunged into the wide world of informative and competitive age simultaneously establishing itself in the strangest dimension of technology as a heartthrob of general people. Telecommunication has leaded the information world from traditional to modern system. Nepal Telecom is the role institution in the state to provide telephone services. It has offered price and position. Nepal Telecom as far as possible has adopted the new technologies and inventions around the world. Liberalization in telecommunication services is the result of globalization growth of markets, new technological, changes and the emergence of new services.

The growing presence of the private sector in business directly or indirectly related to telecommunication has forced Nepal Telecom to find alternative strategies in taking the emerging competition. Revision of tariff, customer care and introduction of value added services have now become the top priority in this competitive telecommunication market introduced by the policy of Nepal Government. GSM mobile phone capacity has been increased and expanded to the far western region. Recently, the company has introduced low tariff structure in PSTN, prepaid and post-paid mobile has shown growing demand. The ongoing East West Highway Optical Fiber Link Project has established a reliable alternative backbone link in addition to the existing microwave radio network. This will play a major role in support of the development of the information technology in the country, aiding its participation in the global economy and ultimately helping in the poverty alleviation.

Under the ongoing Tenth National Plan, Nepal Telecom has been launching rehabilitation and expansion program in its rural network. The program is aimed at replacing some of its exiting rural telecommunications network, which is now obsolete or damaged due to the recent political insurgency or with exhausted capacities. The company has plans to expand new network. There by will help in modernizing the overall national telecommunication infrastructure of Nepal.

Nepal Telecom generates its revenue by providing different type of services such as basic fixed line services, GSM mobile, internet, lease line etc. Apart from these source, which generates significance revenue for the company, is international settlements from international call. Nepal Telecom, due to its nature of business, has to transact with significant number of customers in addition to dealing with foreign carriers for its international sharing revenue.

Revenue collection is always a much-contemplated topic for companies and enterprises. If we review the following data related to annual revenue and annual cash collection of past few years, it is satisfying considering the defaults of dues in other business in our country.

Nepal Telecom has two different ways of revenue collection process.

(I) Collection through Counters

In smaller exchanges collection is being done manually but in almost 50 places collection of cash has been done through online cash collection process, which has for better efficiency than manual cash collection. For the sake of increasing efficiency Nepal Telecom is collecting its revenue online its exchanges having lines more than 1000.

(II) Collection through the Banks

Now, Nepal Telecom has started to collect its revenue through the banks also. Nepal Investment Bank, Bank of Kathmandu, Kumari Bank are collecting revenue through their counters. As a result, subscribers are able to pay their dues at their nearest bank's counters as per their convenience. Similarly also in PSTN's case, here in Kathmandu Valley, already Bank of Kathmandu, Kumari Bank, Nepal Investment Bank, Nepal Industrial and Commercial Bank, Machhapuchare Bank, Everest Bank, Laxmi Bank, Rastrya Banijya Bank are collecting the revenues for Nepal Telecom and in near future few other banks will also be participating in PSTN revenue collection process.

Like wise in 50 places, different banks visit Company premises to collect the cash. And these banks are providing interest in the range of 2.50 to 4.25 percent per annum. Now, Nepal Telecom has adopted different strategies which deserve appreciation in revenue collection such as advance payment facility, weekly bill payment facility for high paying subscribers, anywhere payment facility in Kathmandu Valley, introduction of token system at counters. Presently, Nepal Telecom has made a policy for disconnect telephone line for that customer who doesn't pay in time (3.5% fine) that generates excess cash to the company.

Nepal Telecom was fully government owned and government controlled organization in past years. After the restoration of democracy in 2047 B.S, government adopted privatization policy in order to privatize state controlled enterprises. In the same way, "in an attempt to privatize the hundred percent state owned NT, the incumbent and leading telecom operator in Nepal, the government has decided to offload its holding in NT by providing 5 % of total shares to employees of NT and 10 % of total shares to general public. Currently paid up capital of NT is Nepalese Rupees 15 Billion (150,000,000 number of ordinary shares @ Rs. 100 per share). As decided by Nepal Government, 5 % of total share i.e. 7,500,000 number of shares would be distributed to employees at a discounted rate of Rs. 90 per share. Regarding sale of shares to general public, minimum price of each share is fixed at Rs. 600 for public bidding. An individual or organization is allowed to buy minimum 100 shares and maximum 5000 shares. As per Nepal Government decision, these share will be allotted to applicants who quote the highest price (Higher bidder winning more shares). After these arrangements, NT will have employees as well as general public participation in its ownership structure. Hopefully, participation of employees and general public in company's ownership would strengthen its mission of remaining leading telecom operator in Nepal" (NTC, 2012: 14).

In overall, the general objective of Nepal Telecom is to provide essential nationwide low cost, reliable, affordable and readily available telecommunication services to the general public for the overall improvement of integrity and economic development. In the age of information technology, Nepal Telecom's vast communications network plays a vital role in supporting the growth of business in IT field. Nepal Telecom's responsibility is to provide reliable and affordable telecommunications services throughout the country. Nepal Telecom fulfills this responsibility and contributes towards the overall Scio-economic development of the nation. Since, Nepal Telecom is the role device and powerful instrument for the development of information system and has been struggling hard to enter Nepal into modern arena of this changing world.

1.2 Statement of the Problems

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

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

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

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

- What about the effectiveness of revenue planning in NTC?

- Role of budget for control mechanism is in proper way or not?
- What about the consistency of budgeted and actual revenue in NTC?
- NTC's production (supply) is based on sales (demand) or not?
- Cash collection and disbursement of NTC is in proper way or not?
- The company should have maintained optimal cash balance or not?
- The huge amount of cash and bank balance may cause to lose its profitability or not?
- Can Nepal Telecom make better utilization of excess cash amount by investing in marketable securities?

1.3 Objectives of the Study

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

- To examine the practices and pattern of revenue generation of NTC.
- To analyze the gap between budgeted and actual revenue and its demand.
- To assess the impact of revenue planning and cash management on profitability.
- To review the cash management aspect of NTC.
- To provide appropriate suggestions.

1.4 Significance of the Study

Analysis of revenue planning and cash management is a crucial part of overall profit planning of business enterprises. The main importance of the study lies on the role of revenue planning and cash management that considerably contributes to improve profitability and financial performance of NTC. The main purpose of the study is to forecast the future events and to overcome or reduce risk by identifying the strength and weakness of the enterprise. This study will be useful to provide information and to draw attention of NTC management regarding what can be done for future planning and management of revenue.

This study is focused to analyze cash management in Nepal Telecom. It has also focused on sales revenue and how to improve its financial situation in various environments such as the competition in a wide, growing and challenging market. Cash management contributes to improve the profitability as well as the overall financial performance of an organization to help the best utilization of resources. Accomplishment of objectives in every organization depends upon the application of resources. If the cash management process of an organization is effective and result oriented that the pace of development naturally forwards in a usual manner. Profit is the most important indicator for judging managerial efficiency. For this, every organization has to manage its profit. The need of this study is to examine and check whether the Nepal Telecom is applying optimal cash or not. And, the study also shows whether there is consistency between planned sales and actual sales.

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

1.5 Limitations of the Study

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

- The study is based on secondary data from NTC's record.
- The study is only concentrated in the revenue planning and cash management of NTC. It does not cover other area.
- The accuracy of this study depends upon true response and the data available from management of NTC and various published documents of the organization.
- The study covers the analysis of only 5 fiscal years from F/Y 2065/66 to F/Y 2069/70.

- This study may not complete in sense because it does not cover the whole financial area of Nepal Telecom. Study scope could not be due to the unavailability of data.
- Purposefully, this study does not conduct extensive interview with all financial officer and HOD of Nepal Telecom. Only field survey is conducted at the head office on Nepal Telecom.

1.6 Organization of the Study

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

Chapter I: Introduction

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

Chapter II: Conceptual Framework and Review of Literature

This chapter embark conceptual framework like revenue planning and controlling, cash and cash management, cash management models, cash conversion cycle, credit management policy, cash flow statement etc. besides this it includes a theoretical outline and a short review of previous research done in revenue planning and cash management.

Chapter III: Research Methodology

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

Chapter IV: Data Presentation and Analysis

This chapter is most important and plays vital role in this study. This chapter deals with presentation, analysis and interpretation of data as required by the objectives stated in this study. These collected data have been analyzed and interpreted by the help of various statistical and accounting tools and techniques and also includes major findings of the study.

Chapter V: Summary, Conclusions and Recommendations

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

Besides this Bibliography has been also included in this study.

CHAPTER -II

CONCEPTUAL FRAMEWORK AND REVIEW OF LITERATURE

In this chapter the researcher has presented the conceptual framework of revenue planning and its applicability in business activities has been incorporated. In this connection, the researcher has reviewed various literatures in the form of books written by various prominent authors, published newspapers, journals, browsing materials from the concerned websites and encyclopedia, previous dissemination in the relevant subject matters etc. There are two parts in the review of literature i.e. conceptual/theoretical framework and empirical literature review.

2.1 Conceptual Framework

In this connection, the researcher has reviewed various literatures in the form of books, newspapers, journals, browsing materials from the concerned websites, previous dissertations in the relevant subject matters etc.

2.1.1 Revenue Planning

Revenue results from the sales of goods and rendering the services. Revenue is measure in terms of charge made to customers, clients or tenants for good and services provide them. It also includes interest and dividend earned on investment and other increase in the owner's equity except those arising form capital contribution and adjustment. Revenue from ordinary sales and from other transaction in the ordinary course of business is some times described as operating revenue (Bhattacharya and Dearden, 1980: 137).

The revenue planning estimates are only a guide to the level of future revenue not a guarantee. If the economic remains strong; the planning estimates are likely to underestimate future revenues. But, the economy fails to perform at the high level anticipated in the control; the planning estimates will overstate future revenues.

Responsibility centers for sales district are often designated as revenue center. The revenue center for the sales budget is normally a sales zone or sales district i.e the unit under the control of an area sales manager.

A reasonable degree of accuracy is hard to achieve in sales budget but it is imperative owing to dependency of other budget on sales. No method will ensure absolute accuracy but reasonably correct forecast are much more likely to result from thorough market research and analysis and application of this knowledge to the individual circumstances of particular business (Varma & Agrawal, 1996:3.33).

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

The revenue planning process is a necessary part of PPC. It provides for the basic management decision about marketing and based on those decisions, it is an organized approach for developing in a comprehensive sales plan. If the revenue plan is not realistic, all of the other parts of the overall profit pal also are not realistic. Therefore, if the management believes that a realistic revenue plan can not be developed; there is little justification for PPC. Simply if it were really impossible to assess the future revenue potential of a business, there would be little incentive for investment in the business initially or for continuation of it except for purely speculation ventures that most managers and investors preferred to avoid it. (Welsch, et al., 1999: 171-172)

The logical starting point in developing the revenue planning is to estimate sales. It does not follow, however, that the revenue estimation can be considered in isolation or that once the revenue estimates has been computed, the other element of revenue and expense. In fact, the level or amount of certain expense may have a considerable influence on the revenue. For example: the relationship between advertising and sales (Finney & miller, 1963:389).

The company erases profit only when it is able to sell its product and not when it produces them. It is no use producing goods that are not likely to be sold and for which there is a limited demand. In some business, it is necessary to establish that the product will sell even before it is produced. In normal times of keen competition, the sales, forecast must be realistic. It is undoubtedly true that past can provide experience and information, which will be of assistance in estimating present and future revenue, but care must be taken in presenting past facts to management so that incorrect conclusions may not be drawn there from .The factor influencing the level of revenues may be classified as external and internal (Varma & Agrawal, 1996:3.19-3.30)

1. **Internal Factors**: These include promotional aids such as advertising, incentives to salesman, ability of the organization to satisfy demand, quality of the finished product, changes in prices etc.

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

2.1.1.1 Revenue Planning Process

A planner should complete the following process for planning the revenue. They are as follows (Welsch, et al., 1999: 176-182):

Step 1: Development Management Guidelines for Revenue Planning

All management participants in the sales planning process should be provided with specific management guideline to be followed in sales planning. Fundamentally, those guidelines should specify sales planning responsibilities. The purpose of these guidelines is to attain coordination and uniformity in the sales planning process. The guidelines should emphasis enterprises objectives, goals and sales strategies. The guideline also should direct attention to such areas as product emphasis, general pricing polices, major marketing strategies and competitive position.

Step 2: Prepare Sales Forecast

One or more sales forecast should be prepared. Such separate forecast should use different assumptions, which should be clearly explained in the forecast. The management guidelines should provide the broad assumptions. Forecasting methods are broadly classified as (a.) quantitative, (b.) technological, and (c.) judgmental. These forecasting methods include times series smoothing, decomposition for time series, advanced time series, simple and multiple regressions, and modeling. The forecasts should include strategic and tactical forecasts that are consistent with the time dimensions.

Step 3: Assemble other Relevant Data

In addition to steps (1) and (2), all other information relevant to developing realistic sales plan should be collected and evaluated. This information should relate to both constraints and opportunities. The primary constraints that should be evaluated are

- Manufacturing capacity.
- Source of raw materials and supplies, or goods for resale.
- Availability of key people and labor force.
- Capacity availability. Availability of alternative distribution channels.

These five factors require evaluation and coordination among the heads of the various functional areas in developing a realistic revenue plan.

Step 4: Develop the strategic sales plan

Using the information provided in step 1, 2, and 3 the management develops a comprehensive revenue plan. To do this the planning process must be structured to maximized motivation of the sales force and realism in the revenue plan. These processes should recognize the importance of management goals both strategic and tactical. The process of developing a realistic revenue plan should be unique to each company because of the company's characteristics its products, its product, its distribution channels, and the competence of its marketing group. Four different participative approaches widely used are characterized as follows; (i) sales force composite, (ii) sales division manager's composite, (iii) executive decision, and (iv) statistical approaches.

Step 5: Securing Managerial Commitment to Attain the Goal in the -Comprehensive Revenue

Top management must be fully committed to attain the sales goals that are specified in the approved revenue plan. This commitment requires full communication to the sales manager of the goals: approve marketing plan and strategies by sales responsibilities. The commitment must be strong and ever present day to day operations.

2.1.2 Sales Budget

Sales are primary source of revenue. Sales Budget is the starting point of other budget. The preparation of sales plan is based upon the sales forecasts. It is also known as corner stone for all the other budgets. The sales Budget is the foundation for periodic planning in the firms because practically all other enterprises planning is built on it. All the other plans and budget are depending upon the sales budget. The budget is usually presented in both units and dollar of the sales revenue or sales volume. That is because the production level and the inventory level and hence manufacturing costs as well as non-manufacturing costs generally depend on the forecasted level of unit’s sales or revenue.

The sales planning process is a necessary part of PPC because

- It provides further basic management decisions about marketing.
- Based on those decisions, it is an organized approach for developing a comprehensive sales plan. If the plan is not realistic, most if not all the other parts of the overall profit plan also are not realistic. Therefore, if management believes that, a realistic sales plan cannot be developed; there is little justification of PPC.

Primary Objective of Sales Budgets is as follows:

- To reduce uncertainty about future revenue.
- To incorporate management judgment and decision into the planning process.
- To provide necessary information for developing other elements of a comprehensive profit plan.
- To facilitate management in controlling sales activities.

2.1.3 Sales Panning vs. Sales Forecasting

Forecasting is the perquisite for planning. Sales forecasting is the statement of expected of future condition of sales . Sales planning are the foundation for preparation of the comprehensive master budget. Sales planning and forecasting often are confused. A forecast is not a plan rather it is a statement and or a quantified assessment of future conditions about particular subjects i.e. sales revenue based on one or more explicit assumption Sales plan for any period starts from the analysis of the past trend, economy & expectation of future phenomenon and future forecasting. Sales forecasting known as prediction, estimation and expectation for future related to sales.

Although related, they have distinctly different purpose. A forecast should always state the assumption upon which it is based. Forecast should be viewed as only one input into the development of sales plan. The management of a company may accept common modify or reject the forecast. In contrast, a sales plan incorporates management decisions that are based on the forecast, other inputs and management judgment about such related terms as sales volume, price sales efforts production and financing.

2.1.4 Long-Range Sales Plan or Strategic

Long range sales plan is more then five year plan which required depth analysis of future market potential, which may build up from a foundation such as population changes, state of economy, industry projections and finally company objectives. A comprehensive sales plan includes both strategic and technical sales plan. Strategic sales plan is known as long-range sales plan. Usually it is 5 to 10 years. As a practical approach, a company may schedule completion of strategic long-term sales plan as one of the first steps in overall planning process. Long-term sales plan are usually developed as annual amounts. The long term sales plan uses broad grouping of products (product lines) with separate consideration of major and new product and services. Long-term management strategies would affect such areas as long term pricing policy, development of new product and innovation of present products, new directions in marketing efforts, expansion or changes in distribution channels and cost patterns. The influence of managerial strategy decision is explicitly brought to bear on the long term sales plan primarily on a judgmental basis.

Short-Range Sales Plan or Tactical

Short range sales plan is functional or tactical plan which is prepared for one year. In planning short range or tactical sales plan, one should consider its long-range sales plan. A common approach used for short time horizons in a company is to plan sales for twelve months into the future, detailing the plan initially by quarter and months for the first quarter. At the end of each month or quarter throughout the year, the sales plan is restudied and revised by adding a period in the future and by dropping the period just ended. Thus tactical sales plan are usually subject to review and revision on a quarterly basis. The short-term sales plan includes a detailed plan for each major products and or grouping of minor products. Short-term sales plans are usually developed in terms of physical units (or jobs) and in sales and or service dollars.

A short-range sales plan should include considerable detail, whereas a long-range plan should be in board terms.

Developing Comprehensive Sales Plan

A comprehensive sales plan should satisfy the requirements of, and be consistent with, the overall comprehensive PPC program. A comprehensive sales plan should be based on foundation established by management. The foundation components of comprehensive sales plan are:

- External variables identified and evaluated.
- Broad enterprise objectives and goals formulation.
- Strategic for the company development.
- Planning premises specified.

General steps in developing of comprehensive sales plan:

1. Develop management guidelines specific to sales
2. Prepare one (or more) sales (market) forecast consistent with specified forecasting guidelines including assumptions.
3. Assemble all the other data that will be relevant in developing a comprehensive sales plan.
4. Based on steps above apply management evaluation and judgment to develop a comprehensive sales plan.
5. Secure managerial commitment to attain the goals specified in the comprehensive sales plan.

These steps must be revised and implemented in various ways depending upon the characteristics of the organization and the expertise of the management planning including the sales planning process and planning responsibility.

2.1.5 Methods of Projecting Sales

Methods of projecting sales may vary with nature of organization, organizational structure of the business etc. In general, these methods can be used for forecasting of sales in an organization:

1. Judgment Method

Judgment method is the personal observation without using mathematical formulas. It is also known as personal judgment method or rule of thumb method or non-mathematical method or directorship method. Under this method, these techniques are used:

a. Sales Force Composite

In this method, sales forecast is made by personal judgment of sales person involved in the field of marketing. Steps are as follows:

1. Receive historical sales data of the area through sales department
2. Collect socio-economic data of the area through inspection or informal talk or interview.
3. After receiving the sales projection, sales department makes necessary adjustment and prepare sales projection for the company. Then the projection is submitted to chief for approval.
4. Based upon the above two, project sales for the area and submit it to the sales department.
5. After receiving the sales projection, sales department makes the necessary adjustment and prepare sales projection for the company. Then the projection is submitted to chief for approval.
6. Chief executive tentatively approves the budget.

b. Sales Composite

Under this method, sales forecast is made by sales department executive based on collecting relevant information regarding product market.

c. Chief Executive Decision

From the available proposed sales forecast by sales person and sales department executive, chief executive decision about the future projected level of sales.

2. Mathematical and Statistical Approaches

Under this approach statistical and mathematical tools for projection of sales, there are some usually followed statistical methods for projection of sales:

A. Economic Rhythm Method

Under this method, future sales projection is made based on rhythmic change in economic i.e. cyclical variance, seasonal variance, price variance etc.

B. Special Historical Analogy

Under this method past history is taken for forecasting future sales based on same future expected phenomena of the economy.

C. Cross Cut Method

Under this method, future sales are projected based on drawing a best-fit line of the past sales and by a diagonal cut between diagrams. Time series can be under this taken as one of the example of cross cut method.

D. Correlation Method

This is the most used statistical tools for forecasting future on the basis of establishment of the interrelationship between dependent variable i.e. sales and independent variable i.e. demand, price change, product life cycle, market share, substitute product in the market etc.

3. Special Purpose Method: Under this method, managerial purpose of sales forecast is taken in high focus for projecting future sales. These three methods are taken under this approach.

A. Industrial Analysis Method

Under this method no single company do as the projection separately for their company. Generally multinational companies use this method of forecasting future sales, which operates in high competition and highly affected by international economy and technology change,

B. Product Line Analysis

Business, which has more then one product and each product, has separate identity in the market usages product line forecasting for forecasting sales of any specific product group.

C. End Use Analysis

Under this method of a projection of own sales is made after analysis or projection of customers consumption. Based on future demand sales is forecasted under end use method.

4. Combined Method As per the need and nature of business and available resource, company may use combination of more than one method mentioned above for projection of its future sales.

Factors Affecting Sales Forecast and Sales Plan or Sales Budget

A sales plan is prepared for the sales forecast. A sales forecast is broader than a sales budget; generally encompassing potential sales for the entire industry, as well as potential sales for the firm is forecast of sales. Forecast that are to be considered in making a sales forecast include:

- Past experience in terms of sales volume.
- Prospective pricing policy
- Unfilled order backing
- Market research studies.
- General economic conditions.
- Industry economic condition.
- Movement of economic indicator such as gross national product, employment, prices, and personal income.
- Advertising and product promotion.
- Industry competition
- Market share.

While preparing sales plan following points are to be considered.

1. Price Cost Volume Consideration

In a competitive market, the price and sales volume are mutually interdependent. Because sales volume and price are so closely tied together, a complicated problem is posed for the management of almost all company. Thus, two basic relationships involving the sales plan must be considered : (I) estimation of the demand curve that is the extent to which sales volume varies at different offering prices and (ii) the unit cost curve, which varies with the level of productive output.

2. Product Line Consideration

Determination of the number and variety of product that a company will plan to sell is crucial in the development of sales plan. Sales plan must include tentative decision about new product lines to be introduced old product lines to be dropped, innovations and product mix.

2.1.6 Production Budget

After completion of sales plan, the next step in the budgeting is preparation of production plan. Production plan is mainly related with manufacturing organization. Production budget shows the number of units of services or goods that are to be produced during a budget period. The nature of product makes it difficult for some companies to synchronize production level with expected sales. When inputs are available only seasonably, production occurs in season

Production Budget = Sales budget + closing stock - opening stock

2.1.7 Components of Budgets or Plan

Production plan is prepared after sales budget. After completion of sales budget and production budget for long range and short-range plan period, the next stage is to prepare material budget. Based on the production budget, quantity of raw material needed for production should be determined. Raw material or component parts budget is composed of four integral sub budgets, they are

- Raw material/parts budget or plan
- Material parts purchase budget
- Material parts elementary budget
- Cost of material and parts used budget

2.1.8 Raw Material and Purchase Budget

Material budget specifies the planned quantities of raw material required for production process. Sufficient raw materials are needed to meet production needs, plus it should provide for the desired ending raw material inventory for the budget period. However, some quantity material requirement will already exist in form of beginning raw materials inventory. The remainder will have be purchased from suppliers. Therefore, the budget should show the planned quantities of each raw material, by time, by product and by using responsibility.

Planned Material consumption = Planned production units × standard raw material usage per unit of output

The material budget specifics the quantities and timing of each raw material needed. Therefore a plan for materials purchase must be developed. The purchased shows the estimated cost for each raw material and the required delivery dates.

Planned materials purchased unit = Planned material consumption + Ending inventory of raw material – Beginning inventory of raw material

The preparation of purchase budget is the responsibilities of the purchase manager. Therefore, it is his/her responsibility to provide budgeted unit and material cost for use in purchase budget.

2.1.9 Direct Labor Budget or Plan

Direct labor budget is based on planned production budget. Direct labor is defined as those labor cost directly identifiable with the production of specific units of finished goods. The production plan provides the underlying data for planning the direct labor requirement. Direct labor is one of the components of manufacturing cost, which can be directly traced out with the cost of production of the product. The labor budget requires two additional decisional inputs:

- The standard direct labor hour per unit pf each unit of finished goods.
- The average hourly wage rate planned. This budget must show the planned direct labor hour and cost by organizational responsibility and by product.

2.1.10 Expenses Budget and Plan

Expenses budget also play important role in the comprehensive profit planning or budgeting,. There are different categories of expenses based on objectives of use. However, there are three main categories of expenses 1.Factory or manufacturing overhead 2.General administrative expenses 3.Selling and distribution expenses.

Nevertheless, for the efficient planning and controlling of expenses it is necessary to further classify expenses on the following basis:

- Based on controllability: Controllable expenses and Uncontrollable expenses.
- Based on behavior: Variable expenses, fixed expenses and Semi variable or mixed expenses.
- Based on traceability: Direct expenses and indirect expenses.

In manicuring organizations there are mainly, two-responsibility center exists. First, one is production department and another is service department.

2.1.11 Manufacturing Expenses Budget

Manufacturing expenses is indirect cost of production, which cannot be directly traced out with the specific product or job. Generally manufacturing expenses budget should be prepared for interim time based on planned production volume for short-term plan period. Manufacturing overhead includes mainly indirect material, indirect labor and other manufacturing overheads. It includes different cost with different in nature and elements, so allocation of these expenses budget for different responsibility centre.

2.1.12 Selling and Distribution Expenses Budget

All the expense incurred in course of delivery of goods to the consumer is selling and distribution expenses. This budget is association with the sales budget. The two primary aspect of planning and distribution expenses budget are as follows:

A. Planning and Co-ordination

In the development of the tactical plan, it is essential that a favorable economic balance be achieved between sales efforts (expense) and sales result (revenue).

B. Control of Distribution Expenses

A side from planning consideration, it is important that serious efforts be given to controlling distribution expenses budget. Control is especially important, since

- Distribution expenses are frequently a significance expenses of total expenses and
- Both sales management and sales personals tend to view such expenses lightly, in some cases extravagant, such as entertainment expenses.

Distribution expense control involves the same principle of control as manufacturing overhead. Control must be build around the concept of.

I. Responsibility centre and
II. Expense objective.

2.1.13 Administrative Expense Budget or Plan

Administration expenses include those expenses other then manufacturing and distribution expenses. Genera administrative expense is close to top management; therefore, there is strong tendency to overlook their magnitude and effect on profit. Administrative expenses are incurred in the responsibility centers that provides supervision of and service to all functions of the enterprise rather than in the performance of any one function Administrative expenses budget includes all the expenses other that manufacturing and selling distribution expenses budget. Because a large portion of administrative expenses is fixed rather than variable, the notion persists that they cannot be controlled. Aside from certain top management salaries, most administrative expense is determined by management decision. Each administrative expense should be directly identified with a responsibility centre, and the centre manager should be responsible for planning and controlling expense.

2.1.14 Capital Expenditure Budget

Capital expenditure budget involves planning and control of long term capital investment. In other word the investment in fixed assets is known as capital expenditure decision. A fixed asset means assets that have more than one year service life. Capital budgeting consists in planning the deployment of available capital for the purpose of maximizing the long-term profitability (return on investment) of the firm. The term capital investment refers broadly to large expenditure made to purchase plant assets, develop new product lines, or acquire subsidiary companies. Such decision commits financial resource for large period and is difficult, it is not impossible, to reverse once the funds are invested. Thus, companies stand to benefit from good capital investments (or suffer from poor ones) from many years.

The process of evaluating and prioritizing capital investment opportunities is called capital expenditure. Capital budgeting relies heavily on estimates of future operating results. These estimates often involve a considerable degree of uncertainty and should be evaluated accordingly. The capital expenditure budget (or plan) is an important part of a comprehensive profit plan. It is directly related to a company's operating assets, especially land, equipment and other operating assets and cash. The capital expenditure budget is an important budget providing for the acquisition of assets necessitated by the following factors:

- Replacement of existing assets.
- Purchase of additional machines to meet purpose increased in production due to increase in demand.
- Purchase of new assets because of starting up of new lines of production.
- Installation of an improved type of machinery so as to reduce the cost of production.

2.1.15 Cash Budget

Cash is the most liquid asset, without cash the company cannot survive. It is one major responsibility of management to plan, to control and safeguard the cash of enterprises. It is also considered as lifeblood of any enterprise. Therefore, cash management is very important for any management. Cash budget is the one of the important way for effective cash management. Cash budget helps for effecting plan of cash i.e. maximum utilization of cash and arrangement of needed cash efficiently. The cash budget is based on other functional budget where cash involved is essential. Cash budget has three main parts consisting of (i) cash receipts (ii) cash disbursement and (iii) cash balance. There are two different approach of cash management. First, one is cash budget approach and another one is financial accounting approach.

The primary purposes of cash budget are:

- Give the probable cash position at end of each period as a result of planned operations.
- Identify the cash excess or shortage by time period.
- Indicate the availability of cash discounts.
- Coordinate the cash with total working capital, sales revenue, expenses investment and liabilities.
- Establish the needs for financing and availability of idle cash for investment.
- Establish the sound basis for continuous monitoring of cash position.

2.1.16 Credit Policy

Credit policy can have a significant influence on sales. In theory, the firm should lower its quality standard for account accepts as long as the profitability of sales generated exceeds the added costs of the receivable. What are the costs of refluxing credit standard? Some arise from an enlarged credit department, the clerical work of checking additional accounts and serving the added volume receivable. The volume of credit sales and the average period between sales and collections determine the level of accounts receivable. The average collection period is dependent partly on economic condition and partly on a set of controllable factors credit policy variables. The major policy variables includes

1. Credit period :The length of time for which credit is general ;
2. Credit standard :The maximum risk of acceptable credit amount ;
3. Discount given for the early payment and
4. The firm's collection policy

There is opportunity cost of the additional receivable, resulting from increases sales and a slower average collection period. If new customers are attracted by the re-flexed credit standards, collecting from these customers is likely to be slower than collecting from exciting customers to be less conscientious in paying their bills in tie. To assess the profitability of a more liberal extension of credit; it should be known that the profitability of additional sales, the added demand for products arising from relaxed credit standards, the increased slowness of average collection period and the required return on investment.

2.1.17 Collection policy

Collection policy refers to the procedures, A firm follows to obtain payment of past due accounts. For example it may send a letter of such accounts when they are ten days past due date; it may use a more threatening letter, followed by a telephone call and it may be the amount over the collection agency. The collection process can be expensive in term of both out of pocket expenditure and lost goodwill, but at least some firm is needed to prevent an undue lengthening in the collection period and to minimize outright loses. Again a balance must be struck between the cost and benefit of different collection policy.

2.1.18 Profit Planning as a Concept

Profit planning involves selection of defined periods for the strategic and tactical profit plans (often five years and one year, respectively) in other words profit planning is a comprehensive statement of intentions expressed in financial terms for the operation of both short and long period. It is a plan of the firm's expectation and is used as a basis for measuring the actual performance of managers and their units. A profit plan has an immense value in management; it helps in planning and co-coordinating if used appropriate, but not a replacement for management. Profit planning is a comprehensive and co-coordinated plan expressed in financial terms, for the operations and resource of an enterprise for some specific period in the future. "A profit plan or budget is the formal expression of the enterprises plans and objectives stated in financial terms for a specified future period of time" (Fremgen, 1973: 144).

"Profit planning is a predetermined detailed plan of action developed and distributed as a guide to current operations and as a partial basis for the subsequent is a tool which may be used by the management in planning the future course of actions and controlling the actual performance" (Gupta, 1992: 521).

Profit plan is estimation, predetermination of revenues and expenses that estimates how much income will be generated, and how it should be spent in order to meet investment and profit requirements. In the case of institutional operations, it presents a plan for spending income in a manner that does not result in a loss.
The term comprehensive profit planning and control it defined as a systematic and formalized approach for performing significant phase of the management planning and control functions specially it involves:

- The development and application of broad and long-range objectives of the enterprise.
- The development of strategic long rang profit plan in broad terms.
- The specification of enterprises goals.
- The specification of tactical short-range profit plan detailed by assigned responsibility (Division, Products, projects).
- The establishment of a system of periodic performance reports detailed by assigned responsibility and follow up procedures.

In many of the better-managed companies, comprehensive PPC has been identified as a way of managing it focuses directly up on a rational and systematic approach to management by objectives and realistic flexibility in performing the management process.

A profit planning and control program can be one of the more effective communications network is in an enterprise. Communication for effective planning and control requires that both the executive and the subordinate have the same under standing of responsibilities, ensures a degree of understanding not otherwise understanding of responsibilities; ensure a degree of understanding not otherwise possible. Full and open reporting in performance reports that, fouls on assigned responsibilities likewise enhance the degree of communication essential to sound management.

Profit planning is an example of short range planning. This planning focuses on improving the profit especially from especially from a particular product over a relatively short period. Therefore as used here, it is not the same as corporate planning of a cost rendition program.

Profit planning involves streamlining activities in order to get employees profit minded and to secure maximum benefit from minimum effort and expenditure. Best results seem to be obtained by assigning a profit planner to investigate all the footers affecting the profit obtained from a single production the planner is given the right to prove the economics, the organization. The mode of operations, the pricing, the marketing or any fact of making and selling the product that in his judgment affects profit accruing from that product. The concentration of profit efforts upon one product and the fight of the planner to cross-traditional functional boundaries of the enterprise of translate needs from one group of another and to obtain concurred profit building efforts among those who can affect profits are the fundamental factors that contribute to the success of profit planning.

A profit plan is an advance decision of expected achievement based on the most efficient operating standards in effect or and prospect of time it is established against which actual accomplishment is regularly compared.

Profit Planning through volume of cost analysis, however, is a modern concept of management planning tools designated primarily for industrial enterprises. It involves a study of what a business cost and expenses should be and will be at different level of operations and it include a study of the resultant effect up to due to this hanging relationships between volume and cost.

2.1.19 Profit

Meaning and Concept of Profit

Profit is as important to a firm as water to the fish. Profits are the excess of income over cost of production and services. Profit is the amount available for ownership or equity after payments are made to all other factors used by the firm. "Profit is the basic elements of profit plan so that the concept of profit planning may not be complete idea of profit. According to oxford dictionary, profit means a) financial gain b) amount of money gained in business especially spent. Advantage or benefits gained from something" (Hornby, 1992: 5.67).

According to F.B Hawley, profit is the reward for risk taking in business. If the entrepreneur dies not receive the reward, he will not be prepared to undertake the risks involved in the business. This profit of the entrepreneur exceeds the ordinary return on capital. Entrepreneur would not be ready to undertake the risks.

According to Schumpeter, profit is the reward for innovations. The objective of innovation is to reduce cost of production and cause gap between existing price of the commodity and its new cost. The innovation may come in many forms, such as introduction of new production technique, or a new machine, or plan, a change in internal organizational structure of the firm.

Profits around which all enterprises activities directly or indirectly revolve play the significant role for judging the managerial efficiency. In absence of profit, nobody can think about the long-term survivability of the enterprises.

2.1.20 Planning

Planning is the first phase of five function of management and followed by Organizing directing coordinating and controlling. Planning is the choosing the alternative among the alternatives. Planning is the foundation of PPC. Planning is the process of developing enterprises objectives and selecting a future course of action to accomplishment them. It includes developing premises about the environment in which they are to be accomplished. It should be clear in the concept of planning. “According to oxford Dictionary”, Planning means:

- (To do something) arrangement for doing or using something, considered or workout in advanced.
- Why of arrangement something especially when shown on a drawing scheme.
- Go according to plan” (Hornby, 1992: 5.45).

To plan is to look ahead and chalks out future course of operation. It is the determination of course of action to achieve desired result. Planning is deciding in advance what is to be done in future.

A planning process includes setting goals, evaluating resources forecasting by different methods and formulating a master plan. Planning depend upon the organized objectives. For the planning purpose a firm’s objectives can distinguish mainly three, the first is prime, the second is instrumental objectives are aims for accomplishment of more basis aim. For this purpose, the company has established divisional departmental and individual job objectives. Specific objectives are those objectives that have been specified as to tome and magnitude, which is known as goals. Because of specifying a period and a target amount, this goal is capable of giving specific guidance to various senses of management planning. Objective setting of a firm of very difficult. Unfortunately, most top management fails to develop a clear and operational statement of company objectives. More carefulness is necessary for this tedious job. Carefully stated firm’s objectives would yield at least the following benefits.

- Company objectives provide the ultimate criteria for resolving difficult company decisions and
- Company objectives are the basis for long-range profit planning.
- Planning is the process of developing enterprises objectives and selecting future course of action to accomplish them. It includes.
- Establishing enterprises objectives.
- Developing premises about the environment in which they are to be accomplished.
- Decision-making.
- Identifying activities necessary to translate plans in to action, and

- Current re-planning to current deficiencies.

The planning processes both short and long term is the most crucial component of the whole system. It is both foundation and the bond for the other elements because it is through the planning process that determines what we are going to do. How we are going to do it and who is going to do it and who is going to do it. It operates as the brain centre of an organization and like the brain it both reason and communicate.
"Planning is the conscious recognition of the futurity of present decision. Planning is the feed forward process to reduce uncertainty about the future. The planning process is based on the conviction that management can plan its activities and condition that state of the enterprise that determines its density" (Pandey, 1991: 554).

Planning could be taken as the tools of achieving organizational goals efficiently and effectively from the selection of various alternatives with in an acceptable period. Planning consists in setting goal for the firm both immediate and long- range considering the various means by which such goals may be achieved and deciding which of any variables alternatives means would be best suited to the condition express prevail.

The essence of planning is

- To accomplish goals.
- To reduce uncertainty.
- To provide direction by determining the course of action in advance.

Planning is determined course of action for achieving organizational goals or objectives effectively and efficiently at a fluid environment with a certain period through the selection of various alternatives. On the other hand, it holds accountability and responsibility about result to individual. A full appreciation of the firm task requires distinguishing among three types of company's activities, which is called strategic planning, management control and operational control. The strategic planning is an important function of top management. Planning requires the management to setting a future state toward which effort will be directed i.e. objective, assessing the organization's resources, i.e. what the organization is going to work with, assessing the current and lately' determine how and when to allocate resource accomplish the objective. Planning on the other hand is selecting objective and determining a course of action including allocation resources in order to achieve those objectives in a specific time. Planning states what, when, and how things will be accomplished. An adequate planning is necessary for control of operations.

2.1.21 Role of Forecasting in Planning

An organization established goals and objectives seeks to predict the environmental factors that selects action all that is hopes will result in attainment of goals and objectives. The forecasting is to take future decision at present from the analysis of relevant factors of past and present situation. It is an integral part of decision-making activities of management.

The need for forecasting is increasing as management attempts to decrease its dependence on change and become more scientific in dealing with its environment. Since each area of organization is related to all others. A good or bad forecast can effect the entire organization.

“It should be realized that building is not merely forecasting although forecasting is form of he basis of budgeting. Forecasting is estimate of the future environment with in which the company will operate. Budgeting or planning on the other hand involves the determination of what should be done, how the goals may be reached and what individual units are to be assumed responsible and be held accountable. Budget provides orderly way to attain goals and provides a time schedule for future action to produce. Measure Result” (Pandey, 1991: 576).

Forecasting is indispensable in planning. Forecasts are statement of expected future conditions definite statements of what will actually happen are partially impossible. Expectations depend upon the assumptions made. If the assumptions are possible, the forecast has a better chance of being useful forecasting assumptions and techniques vary with the kind of planning needed.

The short-term forecasting is needed in budget making. A budget set for the following year will be much useful. It is regarded to sales levels, which will eventuate rather than near to current sales level. As budget distributed according to current sales may establish policy as to lines of emphasis, but will obviously, required successive adjustment if sales levels changes.

2.1.22 Forecasting Vs Planning

Planning and forecasting often are confusing of being the same. Nevertheless, forecast is not a plan, rather is it a statement and for a quantified assessment of future conditions about a particular subject based on one or more explicit assumptions, planning on the other hand, involves the use of forecast to help to make good decisions about most attractive alternatives for the organization. Thus, a forecast seeks to describe what will happen, where as a plan is based on the notion that by taking certain action how the decision maker can affect subsequent events in a given situation and thus influence the final results, in the direction desired. Generally speaking, forecasting and forecasts are inputs to the planning purpose.

2.1.23 Purpose of Profit Planning

A comprehensive profit planning is a systematic and formularized approach for stating and communicating the firm's expectation and accomplishing management in such a way to maximize the use of a profit plan and to achieve the maximum benefit from the resources available to an organization over a particular span of time. The maximum objective of profit planning is to assist in systematic planning and controlling the operations of the enterprise. The purposes for the application of profit planning are:

- To state the firm's expectation (goal) in formal terms clearly to avoid confusion and facilities their attainment.
- To communicate expectation to all concerned with the management to the firm so that they understood, supported and implemented.
- To provide a detailed plan of action for reducing uncertainty and for its proper direction of individual and group efforts to achieve goals.
- To coordinated the activities and efforts in such a way that the use of resources in maximized.
- To provide a means of measuring and controlling the performance of individuals and units and to supply information based on which the corrective action can be taken.

2.1.23.1 Long Range and Short Range Profit Plan

Two types of plans are developed; one strategic (long-range) and another tactical short range. The former profit plan takes a time horizon of 5to 15 years and the later for short period. The long range planning is a picture of more summary data. A part of this plan is more or less informal as presented by tentative commitments made by the executive committee in the organizational planning season. The formal portion of long-rang profit plan includes the following component detailed by each year.

- Income statement.
- Balance sheet.
- Capital Expenditure plan.
- Personal Requirements.
- Research plan and
- Long Rang Market Penetration plan.

Thus, the long rang profit plan covers all the area of anticipated activity; sales expenses, research and development, capital expenditure, cash, profit and return on investment.

The short-range tactical profit plan shows the primarily annual results, the detail by months, responsibility and products; in an organization, these annual summaries should be prepared.

To provide a general understanding of the profit plan and to provide an overall view of the comprehensive short-range profit plan.

According to Galenn and other, it is possible for the firms to develop these two profit plans for all aspects of the operations. Assuming participatory planning and receipt of the executive instruments, the manager of each responsibility center will immediately initiate activities within his or her responsibility center to develop strategic profit plan and tactical profit plan. Certain format and normally the financial function should establish the, general format, amount of detail, and other relevant procedural and format requirements essentially for aggregation of the plan. All these activities must be coordinating among the centers in conformity with the organization structure.

The preparation of long-rang profit planning in addition to short range profit planning is also viewed as a total planning concept of business. Long range planning is essential to maintain the annual profit at improving level. The ultimate measure of the success of a business in generally based on growth in the volume of sales, increasing return on capital investment, efficient organization and these are all long-term consideration.

2.1.24 Budgetary Control

2.1.24.1 Meaning of Budgeting and Budget

A budget is a detailed plan outlining the acquisition and use of financial and other resources over a given period. It represents the plan for the future expressed informal quantities terms. The act of preparing a budget is called budgeting. The uses of a budget to control a firm's activities are known as budgetary control.

A budget is a detailed plan expressed in quantitative terms that specifies how resources will be acquired and used during a specified period of time. The procedures used to develop a budget constitute a budgeting system.According to fremgen, a budget is the quantitative expression of a proposed plan of action by management for a future time and is an aid to the coordination and implementation of the plan. Budget is defined as a comprehensive and coordinated plan, expressed in financial terms for the operations and resources of enterprises for some specified period in the future.

According to his definition the essential elements of a budget are:

- Plan
- Operation and resources
- Financial terms
- Specified future period
- Cooperation

Therefore, it can be say that budget is a quantitative expression of a plan of action and an aid coordination and control. Basically, budgets are forecasted financial statement formal expressions of managerial plans.

Budgeting: As a Device of Profit Plan

Budgeting, as a tool of planning, is closely related to the broader system of planning in an organization. It serves basically as a device for management, control; it is rather pivot of any effective scheme of control. "Budgeting is the principle tool of planning and control offered to management by accounting function."(Welsch, et al.,2004; 632)

The prime objective of budgeting is to assist in systematic planning and in controlling the operations of the enterprises. In fact budgeting is best sources of communication and an important tool in the hands of management. Since, budgeting deals with fundamental polices and objectives, it is prepared by top management. A formal budget by itself will not ensure that a firm's operations will be automatically geared to the achievement of the goals set in the budget. For this to happen, the top-level managers and lower level employees have to understand the goals and support them and coordinate their efforts to attain them.

A budget is comprehensive in that all the activities and operations of an organization are included in it. It covers the organization as a whole and not only some segments. The budgets are prepared for each segment of an organization. These are integrated into an overall budget for the entire organization. The overall budget is referred to as the master budget. Budgeting is a device of a planning and control that serves as a guide to conduct operation and a basis for evaluating actual results.
The main and objectives of budgeting are:
Explicit statement of expectations

- Communication
- Coordination
- Expectations as a framework for judging performance

2.1.24.2 Essentials of an Effective Budgeting

An effective budgeting system should have some essential to ensure best results. The following are the chief characteristics of an effective budgeting.

a. Sound forecasting
b. An Adequate and planed Accounting System
c. Efficient Organization with Definite lines of Responsibility
d. Formation of budget committee
e. Clearly defined business policies
f. Availability of statistical information
g. Support of top management
h. Good reporting systems
i. Motivational approach

a) Sound forecasting

Forecasts are the foundation of budgets, these forecasts are discussed by the executives and when most profitable combinations of forecasts are selected the become budgets. The sounder are the forecasts better result would out of the budgeting system.

b) An Adequate and Planned Accounting System

There should be proper flow of accurate and timely information in the enterprise, which is, must for the preparation of budgets. Only having an adequate and planed accounting system in the firm can ensure this.

c) Efficient Organization with Definite Lines of Responsibility

An efficient adequate and best organization is imperative for budget preparation and its operation. Thus a budgeting system should always be supported by a sound organization structure demarcating clearly the lines of Authority and responsibility Not only this, there should be a true delegation of authority from top to low levels of management. This will provide adequate opportunity to all executives to make decisions and to participate in the function of budget preparation. Thus, an efficient organization helps not only in budget co-ordination but also plays important role in budget co-ordination and operation.

d) Formation of Budget Committee

As mentioned earlier, Budget committee receives the forecasts and targets of each department as well as periodic reports and finalizes. In addition, approves the departmental budget. Thus in order to make a budgeting system more and more effective, a budget committee should always be set up.

e) Clearly Defined Business Policies

Every budget reflects the business policies formulated by the top management. In other words, budgets should always prepare taking in to account the policies set for particular department or functions. Nevertheless, for this purpose, policies should be precise and clearly defined as well s free from any ambiguity.

f) Availability of Statistical Information

Since budgets are always prepared and expressed in quantitative terms. It is necessary that sufficient and accurate relevant that should be made available to each department. Such date may not be available from accounting system alone and therefore they may be processed through statistical techniques. These data should be as far as possible, reliable accurate and adequate.

g) Support of Top Management

If a budget program is to be made successful, the sympathy of each member of the management team towards it should starts preferably from top i.e. chairperson. The enthusiasm for budget operation as well as direction for it should initiate and come from top.

h) Good Reporting Systems

An effective budgeting system also requires the presence of a proper feedback system. As work proceeds in the budget period, actual performance should not only be recorded but it should also be compared with budgeted performance. The variations should be reported promptly and clearly to the appropriate levels of management.

I) Motivational Approach

All the employees or staff other than executives should be strongly a properly motivated towards budgeting system. In an organization, it is needed to make each staff member feel too much involved in the budgeting system. To meet this end, motivational approach towards budgeting should be followed.

2.1.25 Fundamental Concepts of Profit Planning and Control

The fundamental concepts of PPC include the underlying activities or tasks must generally be carried out to attain maximum usefulness from PPC. These fundamentals have never been fully codified. An outline of the fundamental concepts of profit planning and control are (Goet, et al., 2062: 1-3).

- Managerial involvement and commitment
- Organizational adaptation
- Responsibility accounting
- Full communication

- Realistic expectation
- Flexible application
- Timeless
- Individual and group recognition
- Zero base budgeting
- Activity costing
- Behavioral view point
- Management control using PPC
- Follow up

Each of these fundamentals is discussed briefly in the following paragraphs. Moreover, it has tried to proof to what extent they are playing the role to make PPC a meaning full and a comprehensive approach.

Managerial Involvement and Commitment

Managerial involvement entails managerial support, confidence, and participation and performance orientation. All levels of management especially top-level management should consider following points in order to make PPC program successful. Managerial support, confidence, participations and performance orientations include managerial involvement. All level of management especially top-level management should consider following points in order to make PPC program successful.

- Understand the nature and characteristics of profit planning and control.
- Be convinced that this particular approach to manage is preferable for their situation.
- Be willing to devote the effort required to make it operative.
- Support the program in all its ramifications.
- View the results of the planning process as performance commitments.

“For the comprehensive profit planning and control (PPC) program to be successful it must have the full support of each a members of management, starting with the president the impetus and direction most come from the very top (Goet, et al., 2062: 1-4).

Organizational Adaptation

A profit planning and control programmed depend upon sound organizational structure for the enterprise and a clear-cut designation of lines of authorities and responsibilities. The purpose of organizational structure and the assignment of authority are to establish a framework with in which enterprise objectives may be attained in a co-ordinate and effective way on a continuing basis. The responsibility for the obligation of each departmental manager should be well clarified. Whatever may be the nature and sense of organizational structure, one should always bear in mind the fact that no organizational structure can be taken as ends itself but it should always be treated as means or tools to attain the goal. “In conclusion the organizational involvement includes.

- Delegation of authority and responsibility to each functional sub. Units.
- Sub-divide the whole organization into different functional subunits.
- Each sub-unit should prepare its own annual or periodic plan.
- Based upon plan prepared by sub-units a master plan is to be prepared by higher management” (Goet, et al., 2062: 1-4).

Responsibility Accounting

In order to set up profit planning and control on a sound basis, there must be a responsibility accounting system that is one tailored primarily to the organizational responsibilities. A responsibility accounting system can be designed and implemented on a relevant basis regardless of the accounting system standard cost system, direct costing systems, and so on. Therefore, PPC requires responsibility accounting system.

Full Communication

Communication can be defined as an interchange of thought or information to bring about a mutual understanding between two or more parries.

Communication can be either dialogue messages or understanding from working together. Although most of the management gives least importance on communication but it is the most important thing for any organization observation and control. Most of the organization faces lot of problem due to bad communication system.

For profit planning and control; effective communication means development of well-defined objectives specification of goals, development of profit plans and reporting and follow up activities related to performance evaluation for each responsibility center. Communication for effective planning and control requires same understanding of responsibilities and goals in both the executives and subordinates.

Realistic Expectation

Perfection on setting goal or objectives of the future sales, production levels, costs, capital expenditures, cash flow and so on determines the success of profit planning and control programmed. So, for profit planning and control purpose, a realistic approach with time dimension and external and internal environment that will prevail during the time span should be considered. This is called realistic expectation.

Timeliness

'Time and Tide wait for none'. Whether an individual or an entity remains idle or busy, time passes at the same rate. The problem of the manager in one hand is to accomplish the planned activities in a given time and on the other hand is to prepare the plan itself phasing of the planning is of two types:

- Timing of planning horizons and
- Timing of planning activities.

"Planning horizons refers to the period of time into the future for which management should plan. Decision made to the organizations obviously can affect only the future. No present decisions can effects or change the past, since all managerial decisions are futuristic, each management is faced with the basic question of time dimension. The effective implementation of PPC concepts requires that the management of ES establish a definite time dimension for certain types of decision. And timing of planning activities suggests that there should be a definite management time schedule established for initiating and completing certain phases if the planning process" (Goet, et al., 2062: 1-5).

Flexible Application

The stress that a PPC programmed must not dominate the business and that flexibility in applying the plan must be forthright management policy. Therefore, those strait jackets are not imposed and all favorable opportunities are seized even through "They are not covered by the budget. Rigidity in practicability will be the harmful boundary in an association in an occasion for the enterprises. So, such boundary should be avoided which mean there should be flexibility in PPC so that the unseen golden opportunity should be grasped in future for the betterment of that organization" (Goet, et al., 2062:1-5).

Zero Base Budgeting

Under zero-base budgeting, every budget is constructed on the premise that every activity in the budget must be justified. Zero Base Budgeting is a method of budgeting in which managers are required to start from zero level every year and to justify all costs as if the programs involved were being initiated for the first time. It starts with the basic premise that the budget for next year is zero and that every expenditure, old and new, must be justified based on its cost and benefit.

Activity Costing

"Responsibility accounting system generally accumulates costs by department and product costing systems associate costs with units of product or service organization also frequently finds it useful to associate costs with activities. By decomposing an organizations production process into discrete set of activities, and then associating costs with each of those activities. Moreover, by systematically identifying the activities through out the organizations managers can identify redundant activities" (Welsch, 2004: 42).

Individual and Group Recognition

Behavioral aspects of human being are of the field of study of the psychologist, educators and businessperson, and finding was that there could be so many unknown misconception and speculations, which has to be considered for an efficient management. A good and dynamic leadership can resolve this problem by integrating all the group efforts for betterment of the organization.

Management Control Using PPC

The primary purpose of control is to ensure attainment of the objective, goals and standards of the enterprises. Control has many facets such as direct observation, oral express, policies and procedures, reports of actual results and performance reports. "PPC focuses on performance reporting and evaluation of performance to determine the causes of both high and low performance. The essential characteristics of a PPC performance repots are as follows" (Welsch, et al., 1999: 40).

- Performance is classified by assigned responsibilities
- Controllable and non controllable items are designated
- Timely reports are issued.

Emphasis is given to a comparison of actual results and planned results should be designated the responsible manager and show actual results.

Behavioral Viewpoint

An ounce of behavior is better than a quintal of the theorem so ever is the theory and theorem, the organization only when it improves its behavior, is best or in another way Welsch has suggested that the motivation of human resources through dynamic leadership central to effective management. "It is found by many psychologist and educators and businessmen that, there are many known and unknown, misconception and speculations concerning the responses of the individual and the group in the varying situation so the PPC programs bring many of these behavior problems in the sharp and focus and trying to resolve" (Welsch, et al., 1999: 53).

Management by Exception

A comprehensive profit planning and control program facilities in many ways, underlying these is the measurement of actual performance against planned objectives goals, and standards and the reporting if that measurement in performance reports. This measurement and reporting extends to all areas of operations and to all responsibility centers in the enterprises. It involves reporting.

- Actual result
- Budgeted or planned results and
- The differences between the two

This type of reporting represents an effective application of the well- recognized management exception principle. "The exception principle holds that the manager should concentrate primarily on the exceptional or unusual items that appear in daily, weekly and monthly reports, thereby living sufficient managerial time for overall policy and planning considerations. It is the 'out of line 'that need immediate managerial attention to determine causes and to take corrective action. The items that are not out of line need not utilize extensive management time, how ever; they should trigger "rewards" in appropriate ways. To implement the exception principle, techniques, Procedures must be adopted to call the manager attention to the 'out of control' items. Performance reports because they include a comparison of actual results with plans by areas of responsibility, emphasize in a relevant ways performance variation. The out of line items stand out. It is with respect to these items that the busy executive should investigate, determine the causes and take corrective action" (Welsch, et al., 1999: 45).

Follow Up

This fundamentals holds that both good and substandard performance should be carefully investigated the purpose being three fold.

- In the case of substandard performance, to lead in a constructive manner to immediate corrective action.
- In the case of outstanding performance, to recognize it and perhaps provide for a transfer of knowledge to similar operation and
- To provide a basis for better planning and control in the future.

2.1.26 Profit Planning and Control Process

Profit planning and control process is necessarily integrates the planning, leading and control function of management. A PPC program includes more than the traditional idea of a periodic or master budget. Rather, it encompasses the application of a number of related management concepts through a variety of approaches, techniques and sequential steps. These steps are out lined in this study in the following manner.

a. Identification and Evaluation of External Variables

It is discussed the distinction between external and internal variables for an enterprises. These variables exert major influences on an enterprise. The variable identification phase of the PPC process focuses on a) identifying and b) evaluating the effects of the external variables. Management planning must focus on how to manipulate the controllable variables. Variables, which have a direct and significant impact on the enterprises, are called relevant variables. Variables may have their different relevancy according to the market nature. "For the enterprises purpose the external relevant variables are population, G.N.P. competitive activities product line, and industry sales. And so far internal variables are concerned employees, capital, research productivity, pricing operating costs, advertisements etc. a particularly significant phase of this analysis includes an evaluation of the present strength and weakness of the enterprises the comprehensive PPC approach is based on the expectation that these significant aspects of operations will be critically analyzed and evaluated periodically and in an orderly manner” (Welsch, et al., 1999: 74).

b. Development of the Broad Objectives of the Enterprises

Development of the broad objectives of the enterprises is a responsibility of executive management. Based on a realistic evaluation of the relevant variables and an assessment of the strength and weakness of the organization, executive management, can specify or restate this phase of the PPC process.

“The statement of broad objectives should express the mission, vision and ethical character of the enterprise. Its purpose is to provide enterprise identify continuity of purpose is to provide and definition." One research study listed the purpose of the statement essentially as follows.

- To define of the purpose of the co.
- To clarify the philosophy character of the Co.
- To create particular climate with in the business.
- To set down a guide for managers so that the decisions they make will reflect the best interest of the business with fairness and justice to those concerned” (Welsch, et al., 1999: 75).

c. Development of Specific Goals for the Enterprises

This component of a comprehensive PPC process is to bring the statement of broad objectives into sharper focus and to move from the ream of general information to more specific planning information. It provides both narrative and quantitative goals that are definite and measurable. These specific goals relate to the enterprises as a whole and to the major responsibility centers.

“Executive management as the second component of the substantive plan for the upcoming budget year should develop these goals. Executive management should exercise leadership in this planning phase so that there will be a realistic and clearly articulated framework with in which operations will be conducted toward common goals” (Welsch, et al., 1999: 77).

d. Development and Evaluation of Company Strategy

Company strategies are the basic thrusts ways and tactics that will be used to attain planned objectives and goals. A particular strategy may be short-term or long-term. Here are some actual examples of basic strategies:

- Increase long-term market penetration by using technology to develop new products and innovation the product.
- Emphasize product quality and price for the top market.
- Expand market the company will mot enter foreign markets in the near future.
- Market with low price to expand value.
- Use both institutional and local advertisement program to build market share.
- Improve employee morale and productivity by initiating behavior management program.

Among probable alternatives, the best should be chosen which would tackle to the objectives and goals of the organization. Strategies focus and 'how' so that they outline a plan of action for the enterprises" (Welsch, et al., 1999: 78).

e. Executive Management Planning Instruction

This phase involves communication of the substantive, plan to middle and lower management levels. It explains the broad objective, enterprise goals enterprise strategies, and any other executive management instruction, needed to develop the strategic and tactical profit plans. It also is called the statement of planning premises or the statement planning guidelines. Executive management explicitly establishes a planning foundation that is a condition precedent to the movement in the planning process. "On the basis of this planning foundation the statement of planning guidelines is set as executive management instructions and is disseminated in order to initiate a sophisticated and potent move from broad corporate planning to the development of profit plans by each major responsibility center in the enterprises. It is simply a communication steps from executive management to the lower levels of management and it should adopt the fundamentals of full communication" (Welsch, et al., 1999: 79).

f. Preparation and Evaluation of Project Plans

Project plans encompass variable time horizons because each project has a unique tie dimension. Project plan encompass such items as plans for improvement of present products, new and expanded physical facilities, entrance into new industries, exit from products and industries, new technology, and other major activities that can be separately identified for planning purpose. The nature of projects is such that they must be planned as separate units.

"Consistent with this approach during the formal planning cycle, Management must evaluated decide up on the plan status of each project in process and select any new projects to be initiated during time dimension covered by the up coming strategies and tactical profit plans" (Welsch, et al., 1999: 79).

g. Development of Strategies and Tactical Profit Plan

When the managers of the various responsibility centers in the enterprises receive the executive management planning instruction and the projects plans, they can begin intensive activities to develop their respective strategic or tactical profit plans. The strategic and tactical profit plans are usually developed concurrently. Certain format and procedural instructions should be provided by a centralized source, normally the financial functions, to establish the general format, amount of detail and other relevant procedural and format requirement essential for aggregation of the plans of the responsibility centers, into the overall profit plans. All of this activity must be coordinated among the centers in conformity wit the organization structure.

"When the two plans for the overall enterprises are completed, executive management should subject the entire planning package to a careful analysis and evaluation to determine whether overall plans are the most realistic set that can be developed under the circumstances. When this point reaches the two profit plans should be formally approved by the top executive and distributed to the appropriate managers" (Welsch, et al., 1999: 80).

h. Implementation of profit plan

Implementation of management plans that have been developed and approved in the planning process involves the management function of leading subordinates in attaining enterprises objectives and goals. Thus effective management at all levels requires that enterprises objectives, goals, strategies, and policy to be communicated and understood by subordinates. "There are many facets involved in management leadership. However, the comprehensive PPC program may aid substantially in performing this function, plan, strategies and policies foundation for effective communication. The plan should have been developed with the managerial conviction that they are going to be met or exceeded in all major respects. If these principles are effective in the development process, the various effectives and supervisor will have a velar understanding of their responsibilities and the expected level of performance" (Welsch, et al., 1999: 80).

i. Use of Periodical Performance Reports

"The accounting department on a monthly basis prepares performance reports. In addition, some special performance reports are prepared more often on an "as needed" basis. The performance reports: a). compare actual performance with planned performance and b). Show each difference as a favorable or unfavorable performance variation" (Welsch, et al., 1999: 85).

j. Follow Up

Follow up is an important part of effective control because performance reports are based on assigned responsibilities; they are the basis for effective follow up actions. "It is important to distinguish between cause and effect. The performance variations are effects, the management must determine the under lying causes. The identification of causes is primarily as responsibility of line management" (Welsch, et al., 1999: 88).Finally, there should be a special follow up of the prior follow up actions. This step should be designed to:

- Determine the effectiveness of prior corrective actions and
- Provide a basis for improving future planning and control procedures.

2.1.27 Performance Reports

Performance reports deal with control aspect of PPC. The control function of management defined as the action necessary to assure the objectives, plans, policies and standards are being attended. Performance reporting is an important part of a comprehensive PPC system. Its phase of a comprehensive PPC program significantly influences the extent to which the organization has planned goals and objectives are attained. Performance reports are one of the vital tools of management to exercise its controls function effectively.

Special external reports, reports to owner & internal reports are specially presented in the organization. Performance reports include in internal reports groups. It is usually prepared on a monthly basis and follows a standardized format. Such reports are designed to facilitate internal control by management. Fundamentally, actual result of reports is compared with goals & budget plans. Frequently they identify problems that require special attention since these reports are prepared to pinpoint both efficient & inefficient performance.

a. Features of Performance Reports

Performance report is very important. Performance reports offer management essential insights in to all the facts of operational. The main objective of performance reports is the communication of performance measurement, actual results and the related variances. Efficiencies Performance reports should be:

- Tailored to the organizational structure and focus of controllability (that is by responsibility centers).
- Designed to implement the management by exception principle.
- Repetitive to implement the management by exception principle.
- Adapted to the requirement of the primary users.
- Simple understandable & reports only essential information.
- Accurate and designed to pinpoint significant distinctions.
- Prepared and presently promptly.
- Constructive in tone.

b. Aspects of Performance Reports

Performance reports should be available on a timely basis. To attain a realistic balance between immediate reporting & the costs of detailed reporting, monthly performance reports are widely used in the organization. To extent to which the various managers use their performance reports depends on many factors, some behavioral and some technical. One important factor is the extent to which the performance reports serves the management and decisions making needs of the users. Top management needs reports that give a complete and readily comprehensive summary of the overall aspects of operations and identification of major events. Middle management needs summary data as well as detailed data on day-to-day operation. Similarly lower level management needs reports that must be detailed, simple understandable & limited to items having a direct bearing on the supervisor's operational responsibilities.

In the design and preparation of performance reports careful attention must be given that titles and headings should be descriptive; column heading & side caption should clearly identify the data, & the technical jargon should be avoided. Reports should not be too long & complex; tabulations should be avoided. Performance reports should be standardized to a reasonable degree and if should be relevant.

2.2 Review of Previous Research Works

The previous research studies helps to provide the foundation to present of study. The purpose of literature review is thus to find out what research studies have been conducted in one's chosen field of study and what remains to be done. In this study has been included those study which is related Revenue planning from various research but it is the first study of Constant business Group Pvt. Ltd. Review of literature is essential to explore what other research in the area have uncovered. A literature review is the process of reading, locating and obtaining the relevant subject matters in the area of students' interest. The purpose is to develop some expertise in the area, to see what new contribution new contributions can be made, and to review some idea for developing a research design.

"A critical review of the literature helps the researcher to develop a through understanding and insight into previous research work that relates to the present study. It is also a way to avoid investigating problems that have already been definitely answered" (Woolf and Pant, 2004: 39).

There are research works conducted by the students of T.U, Shankar Dev Campus and other campus in the field of profit planning practices as well as revenue planning in the private sector organization and public Enterprises. Most of dissertations are focuses on the public enterprises revenue planning and budgeting. The dissertation which is related to private enterprises is very few. Budgeting is only one aspect of comprehensive profit planning; therefore, some research work could not incorporate overall aspects of Revenue Planning.

Acharaya (2004) had made a research on *"Revenue planning and management of manufacturing companies in Nepal: A case study of Nepal Biscuits and confectionary Pvt. Ltd (NEBICO)"* had the Following major finding and recommendations:

The main objectives were:

- To evaluate the deviation between budgeted and actual sales.
- To Analysis the pricing policy of NEBICO.
- To analysis the demand of product.

The major findings were:

- NEBICO has different between actual sales and budgeted sales. The achievement of NEBICO is more than 80% in all fiscal year.
- NEBICO has not considered major demand of rural areas people, it is shown from the investigation that its major market is in urban areas.
- Major contribution was made by Biscuits sales profit on total profit of NEBICI. 98 % contribution made by Biscuits sales and remaining was made by confectionary to profit of NEBICO.
- NEBICO has not been practiced of preparing monthly budget.
- The pricing policy needs revision and pricing adjustment policy of the company also not fare.

The major recommendations were:

- NEBICO planners should be properly trained for budgeting and revenue planning.
- NEBICO should considered demand determinations, at the time of planning budget it should survey markets all over the country.
- To achieve targeted sales revenue, NEBICO should make realistic forecasts.
- NEBICO should start the practice of preparing monthly budget for sales revenue.
- While setting the target for next year, NEBICO should consider other factors such as increasing or decreasing of consumer of every product.
- Company should try to achieve its targeted sales in those products while cover large percentage on the whole, such as Glucose 75 gms, Thin Arrowroot 75 gms, coconut crutches 100 gram ,malt Glucose 65gms etc.

Shrestha (2006) had made a research on "A *Study on Role of Sales Plan in Profit Planning in Nepalese Public Enterprises: (A case study of NEA)."*

The general objectives of this study is to examine and evaluate the practice of profit planning and control with special reference of sales planning and its impact on profit of Nepal Electricity Authority.

The main objectives of this study were:

- To analyze the variance of annual budget sales and actual sales.
- To analyze the relationship between sales and profit
- To analyze the interrelationship between sales and profit.
- To study the trend of sales and problems of NEA.
- To interpreter the sales related ratio.

The major findings of the study were:

- With special reference to sales planning, it can be said that NEA has practice of preparing various functional budgets in the process of preparing comprehensive profit plan.
- The budgeted and actual sale has CV 94.5% and 116.1% respectively. Therefore, actual sales are more variable than budgeted sales.
- The trend value of sales is in increasing trend. The time series analysis indicates that it will go on increasing in the following years too.
- There is positive and a perfect correlation between budgeted sales & actual achievement of sales. The value of correlation between budgeted and actual sales is 0.9915.
- An actual sale is less than actual production. It indicates remarkable loss of power in NEA.

The major recommendations were:

- NEA planners should be properly trained for budgeting and revenue planning.
- NEA should considered demand determinations, at the time of planning budget it should survey markets all over the country.
- To achieve targeted sales revenue, NEA should make realistic forecasts.
- NEA should start the practice of preparing monthly budget for sales revenue.

Karki (2007) had made a study entitled, "*Revenue Planning in Service Oriented Company: A case study of Nepal Telecom Limited*." The main objectives of the study are to search and highlight the role of revenue planning in the performance of N.T.C.

The major objectives of the study were:

- To sketch out the use of revenue planning tools and techniques.
- To examine the use of planning in managerial short run and long run decision making.
- To point out short Cumming in sales budgeting and planning.

The major findings of the study were:

- No plans and programmed has been made about possible consumption of telephone industries.
- NTC has not adopted of practice of preparing monthly revenue earning reports
- The revenue plan prepared by the branches and sub branches were not taken as reference for preparing of central revenue plan.
- There are consistency between planned sales and actual sales, their correlation was high.
- Planned sales revenue was highly and positively correlated. The correlation of actual sales revenue is also positive and high.
- The analysis of category wise revenue plan shows that achievement in domestic, noncommercial and industrial categories are highly consistent. But the achievements in remaining categories are fluctuating.
- NTC has been making efforts to bring operating loss down to 10% since 1990/00 but actual loss crossed about 2% in the analysis period.

The major recommendations were:

- NTC planners should be properly trained for budgeting and revenue planning.
- NTC should considered demand determinations, at the time of planning budget it should survey markets all over the country.
- To achieve targeted sales revenue, NEBICO should make realistic forecasts.
- NTC should start the practice of preparing monthly budget for sales revenue.
- While setting the target for next year.

Shrestha (2010) had made a study entitled *"A Sales Planning In Kathmandu Milk Supply Scheme."* The following major objectives, findings and recommendations are: The major objective of this research is to study of the practice the sales planning system and its effectiveness, in KMMS unit of the DDC.

The main objectives of the study were:

- To identify the sales planning process of KMMS.
- To examine the formulation and implementing procedures of sales plan of KMMS.
- To evaluate the variation of Actual and Budgeted sales of KMMS.
- To examine the effectiveness of sales plan in KMMS.
- To suggest and recommend for improvement of the planning system in KMMS.

The major findings of the study were:

- KMMS has short term planning rather then long term planning.
- KMMS is not preparing its periodic performance report for the evaluation of performance to find the causes of poor achievement.
- KMMS has not collected all milk, which is offered by farmer.
- The collection of milk and sales of milk are increasing but milk products are fluctuation.
- There is no coordination between purchasing department to sales and production department.
- KMMS has over utilized plant capacity.
- Only the top level executives are involved in planning and decision making but lower level participation are not encouraged.
- Sales forecasting is not based on the realistic ground.

The major recommendations were:

- KMMS planners should be properly trained for budgeting and revenue planning.
- KMSS should considered demand determinations, at the time of planning budget it should survey markets all over the country.
- To achieve targeted sales revenue, KMMS should make realistic forecasts.

- KMMS should start the practice of preparing monthly budget for sales revenue.
- While setting the target for next year, KMMS should consider other factors such as increasing or decreasing of consumer of every product.

Sharma (2011) had made research on *"Study on Revenue Planning and Management practices of Dabar Nepal Pvt. Ltd"* had the following major objectives, findings and Recommendations.

The main objectives of this study were:

- To analyses of sales revenue of Dabur Nepal Pvt. Ltd.
- To examine revenue generated by Dabur Nepal Pvt. Ltd.
- To evaluate the deviation between actual and budgeted sales.
- To explore the relationship of sales with profit of Dabur Nepal Pvt. Ltd.

The findings of this study were:

- DNPL used to prepare short term budget only.
- DNPL sales forecast depends on export demand and sales trend.
- The revenue trend showed that the actual sales were in fluctuation but the budgeted sales were increased in each fiscal year.
- DNPL has target sales achievement range 74.73% to 89.15% during the study year.
- The correlation analysis shows there is highly negative correlation between sales and net profit that mean the profit is not highly caused from sales.
- The main source of cash generation was from operating activities. Company invested to purchase new automatic machine.

The major recommendations of the study were:

- DNPL sales forecast should be made on realistic ground. Forecast should include strategic and actual forecast that are consistent with the time clemencies. The process of developing realistic sales should unique according to requirement of the company.
- DNPL should develop specific goals for the coming budget. Such goals may be return on capital employed, net profit on sales increase in cost effectiveness etc. with out such goal DNPL not be effective.

- DNPL should develop effective pricing policies according to the competitive market situation and profit volume relationship.
- DNPL should focus the promotional tools.
- The budgeted should prepare by analyzing the past achievement and considering demand determinants.
- The company should prepare separate production budget.

Ranabhat (2012) had conducted a research on *"Revenue Planning of Nepal Investment Bank Limited."* The major concern of his study is to find out the profit planning in commercial bank by taking a case study of Nepal Investment Bank. This was an analytical and descriptive survey study concentrated on financial accounting practices only and identifying the only short listed areas was concerned with financial accounting only.

The main objectives of the study were:

- To analyze the effectiveness of the profit and cost expenses plan practices of concerned bank.
- To identify how far the different functional budgets are being applied as tools for profit planning in the company.

The major findings of the study were:

- Bank is operating 34 branches and planning to increase couple of branches more soon. Bank has planning to open branches in Dhangadi, Birtamod, Mahendranagar and in Baneshor.
- Bank has to plan open 50 branches by 2013.
- 289 staffs were sent for seminars and trainings including 18 staffs trained abroad.
- Profit is increasing every year. Interest income is the highest contributor in the total profit. The aggregate contribution of interest income is about 80% for the study years.

The major recommendations of the study were:

- The bank should develop its specific goal for the coming budget year. Such goal may be net profit on investment, net profit on capital employment, investment revenues etc. Without formulating such goals the operation of bank may not be effective.

- The bank is facing the problem of capital structure, so to make proper combination of debt and equity, proper capital structure should be maintained.
- There is overstaffing problem, therefore unnecessary and more staff should be decreased.

Thapa (2013) had conducted a research entitled *“Revenue Planning and Control (PPC) of Grand Hotel Pvt. Ltd.”* To achieve the targeted objective of the research, Thapa was fully based on secondary data. To analyze the data he has used some financial and statistical tools like mean, standard deviation, correlation, regression, trend line, percentage ratio analysis, C.V.P analysis, flexible budget, productivity measurement and variance analysis to present the data in systematic manner.

The main objectives of the study were:

- To find out the relationship between sales (income from service and facilities) budget and profit of the company.
- To identify how far the different functional budgets are being applied as tools for profit planning in the company.

The major findings of the study were:

- There is a positive correlation between sales target and sales achievement. However sales achievement in respect to sales and yet to be achieved.
- Inventory turnover of the company are quite satisfactory. Inventory turnover are found to be fluctuating over the past 6 years.
- The gross profit margin shows the decreasing trend which signifies the increasing trend of cost of goods sold.
- Percentage of NP on sales has declined for the year 2005/06. The net profit has not been able to go along with sales. Operating expenses are in increasing trend which has affected the profit margin. The operating expenses occupy more than 50% of gross profit.
- Percentage of financial expenses on Net profit before provision increased to 72.82%. GHPL has adopted cost plus pricing strategy. The price is found to be cheaper than other hotels.

- Sales revenue was found to be very high than BEP which is good for the company. There was very high degree positive correlation between profits, cost and sales i.e. 0.9454.

The major recommendations of the study were:

- Staff expenses to total income ratio is to high and it has also negative correlation. So the bank should try to minimize its staff expenses.
- At last, Grand Hotel should develop specific programs to face competition on market of Nepal, quality aspects of services should be highlighted rather than the price aspects.

2.3 Research Gap

The topic is also called the difference between the previous researches and the current research. Most of the past research studies are about profit planning system of public enterprise. The previous researches did not disclose which of the profit planning and control tools are in practices and which are not and why? The researcher could find only one research study so far that was related to the revenue planning and cash management of Nepal Telecom. But the research studies were not analyzed the cash management in general of NTC. So, there exists a research gap between the present and past researches. This research is conducted to fill up this research gap.

This research is a case study research. It is mainly based in secondary data. This study has tried to indicate the role of revenue planning and cash management and how effectively NTC is practicing the revenue planning and cash management system. This study has analyzed the overall aspect of revenue planning and cash management by applying the different mathematical & statistical tools. Finally it concludes the various findings of research and recommendations for NTC.

CHAPTER-III

RESEARCH METHODOLOGY

Research methodology is the guideline of research. Data and information are lifeblood of any research. Research methodology is a plan to obtain the answer of research question through analysis of data. The main objective of the study is to examine the revenue planning and cash management of Nepal Telecommunication. So, this chapter "Research Methodology" is of extremely important. This chapter consists of Research design, Coverage of period and data, Nature and sources of data, Research variables, Tools and techniques of data analysis and Research procedure. Which are explained below.

3.1 Research Design

In order to make any type of research it is necessary to set research design which fulfills the objectives of the study. Generally, research design means well-define procedure and techniques which guide to study and profound ways for research variability. It is the planned structure and strategy of investigation conceived so as to obtain answers to research questions. The research study attempts to analyze the revenue planning and cash management of NTC. Hence, descriptive as well as analytical research design has been employed. Descriptive research is essentially a fact finding approach and abstracting generalization by the cross- sectional study of the current situation. Analytical approach is followed to parametric and non-parametric test of data. It is the process of microanalysis and appraisal of the data.

3.2 Coverage of Period and Data

The study covers two time dimension, long range and short range. The time period of five years for the purpose of trend analysis for long range planning and the time period of one year for the purpose of short rang planning. Data are collected from fiscal year 2065/66 to 2069/70 for long range planning and for short range planning data are collected from the year 2069/70.

3.3 Nature and Sources of Data

This study is mostly based on secondary data. However, primary data and information have been obtained through informal discussions with executives and other related staffs of the NTC. Secondary data have been collected from Nepal Telecom's publication (Nepal Telecom Anniversary Souvenirs, Shramik Spandhan, Monthly MIS Report, Budget Book, Monthly Bulletin, Strategic plan for Seventh phase of Nepal Telecom, Annual reports, balance sheet, profit and loss accounts, cost detail sheet), previous thesis and other relevant published and unpublished documents and other related publications. The require data were also collected from the website of Nepal Telecom (i.e. www.ntc.nt.np).

3.4 Research Variables

Sales revenue, production (telephone line capacity installation) capacity utilization, profit & loss, total assets, profit margin, total capital employed, account receivable (debtor), cash flows, capital expenditures relating to long term and short period of Nepal Telecom are the research variables of this present study.

3.5 Tools and Techniques Employed

This research is confined to examine the revenue planning and cash management of NTC. Therefore, the collected data have been presented and demonstrated in suitable tables, formats, diagrams, graph and charts. Such presentations have been interpreted and explained whenever necessary. To analyze the secondary data collected from various sources different financial, statistical and mathematical tools are used.

The financial tools used are - net fixed to total assets turnover ratio, debtor turnover ratio, average collection period, sales to capital employed & working capital ratio, revenue per employee ratio, operating expenses ratio, operating profit ratio, net profit ratio, return on assets and return on equity ratio, cash flows, optimal cash models, budget, analysis of cash turnover, account receivable to cash and bank balance, break even analysis etc.

Fixed Assets Turnover Ratio: This ratio measures the efficiency of utilizing fixed assets towards contribution of sales. Higher the total fixed assets turnover ratio indicates better business performance and lower ratio indicates inefficient utilization of fixed assets. The ratio is calculated as –

Fixed Assets Turnover Ratio $= \frac{Sales}{Net \ \ Fixed \ \ Assets}$ = ……. Times

Debtors / Account Receivable Turnover Ratio: Trade debtor 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. The formula of Debtors turnover ratio is –

Debtors Turnover Ratio $= \frac{Credit \ \ Sales}{Average \ \ Debtors}$ = ……. Times

Average Collection Period: Average Collection Period is calculated to know the average number of days / month for which a firm has to wait before trade debtors are converted into a cash. It is calculated as –

Average collection Period (ACP) = $\frac{\text{Receivable}}{\text{Net Sales}} * 365$

Or

$$= \frac{\text{Days in } a \text{ Year}}{\text{Debtor Turnover}}$$

The statistical and mathematical tools used are - average, standard deviation, coefficient of variation, correlation coefficient regression analysis, percentage and mean etc.

Arithmetic Mean: Arithmetic mean is the simplest, popular and widely used method. It is also simply known as average or mean. It is defined as the sum of observations divided by its total number of observations. The formula of Arithmetic mean is –

Arithmetic Mean $\bar{X} = \frac{\sum X}{n}$

Standard Deviation: Standard deviation is often powerful and helpful measure of dispersion in order to measure the size of deviations from the average. Standard deviation, (S.D.) is the positive square root of the average of the square of the deviations of the measurements from their means. It is calculated as –

Standard Deviation $(\sigma_x) = \sqrt{\frac{\sum x^2}{n}}$

Coefficient of Variation: It is a relative measure of dispersion based on standard deviation. In order to compare the variability between two sets of data, coefficient of variation can be used as a useful method. Coefficient of variation is often abbreviated as

Coefficient of Variation $(C.V._x) = \frac{\sigma_x}{\bar{X}} \times 100$

All the data and information are collected from secondary sources which have been properly synthesized, arranged, tabulated and calculated to serve the objectives of the study.

3.6 Population and Sample

The well – specified or identifiable group of people, events or things of interest that the researcher wishes to investigate is known as the population. Population is whole aggregate number in which the researcher has to study. The researcher has assumed that all the public enterprises including multinational companies are included in population.

That finite subset of any population is called the sample. Sample is any number selected to represent the population according to some rule or plan. Thus a sample is smaller representation of the population. For the purpose of conducting this study, Nepal Telecom has been selected as a sample among population.

3.7 Research Procedure

The research procedure includes the following steps for the present study:

I. Collection of various books and other publications relevant for the study.
II. Assimilation of useful secondary data.
III. Description and analysis of collected data in light of theoretical basis.
IV. Tabulation and presentation of data through the tables, charts, graphs etc.
V. Analysis of data by using approved financial, statistical and mathematical tools.
VI. Extraction of valuable conclusions and recommendations.

CHAPTER- IV

PRESENTATION AND ANALYSIS OF DATA

4.1 Introduction

The main purpose of this research study is to examine the revenue planning and cash managements in public utility sector and Nepal Telecom has been selected for this purpose. Efficient and optimum cash flow management is important to all firms. Mostly, revenue planning and cash management depends upon the objectives of the organization. Plan should achieve the goals of the organization. It embarks on forecasting the environment in which objectives must be achieved.

Revenue is an inherent part of the management process. Revenue planning helps the organization for the development and acceptance of objectives and goals and moving an organization efficiently to achieve the objectives and goals. Revenue planning and cash management is an important technique of management, which can be used in private public as well as government organization. Each and every public enterprises or firm or government corporation is established with an objective of public service.

Hence, protection of genuine interest becomes the vital factor in revenue planning and control system. To evaluate the performance of public enterprises, profit as well as social well is considered as crucial factor in Nepalese public enterprises. In case of fulfilling the social obligation: in this case, the company should earn certain profit also.

Although, the PES in Nepal have achieved the objectives of creating opportunities to some extent, increasing production in the country and providing basic service, they are not functioning in an efficient manner. Despite the long-term protection given to these public enterprises, they have not been able to achieve financial capability and work efficiency and are still dependent upon governmental grants & assistance. Almost all PES are suffering from high loss and their financial condition is in very poor shape.

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

Revenue planning in Nepal Telecom is most important for the best utilization of its exchange capacity and effective accomplishment of the goals and objectives in sales planning, production planning, overhead expenses, capital budgeting, cash flow and manpower planning. Thus, in this part, effort has been made to analyze how far the target and objective has been achieved. Various functional budget, cash flow, statistical procedures are analyzed and examined in the context of Nepal Telecom.

To accomplish the above mentioned objectives of the study, this chapter will analyze the various aspect of revenue planning, cash flow from operating, financing and investing activities, their achievement, their related variance in units and revenue separately of the company. The study also presents and analyzes the overall economic and financial trend and estimate the future possible trend of Nepal Telecom.

4.2 Revenue Trend of Nepal Telecom

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

4.2.1 Revenue Budget of Nepal Telecom

Revenue plan is prepared on the basis of sales forecast. Revenue plan formulation is the primary step in developing the overall plan procedure. Revenue is the primary source of cash and all other functional plans are prepared on the basis of revenue budget.

Revenue budget is the primary and important steps as well as the primary source of information which can be used in preparing functional budget. The production, additional capital, manpower requirement, material requirement cash requirement are based on the sales revenue budget. The sales plan is the basic steps which opens the door of financial plan. Efficiency of planner or planning expert can be evaluated from the comparison between actual of planned sales.

The sales unit determines the volume or quantity of final products to be produced. Labour, production and other expenses budgets are prepared on the basis of production volume. So, it can be said that the sales plan is the backbone of the profit plan and cash management. Sales are the major source of revenue and profit is the amount that all business operation is directly linked with the sales budget. The revenue budget should be as realistic as possible. If the revenue plans are unrealistic then all other elements of profit plans will be out of reality.

Revenue plan will be prepared on the basis of revenue forecast. Revenue forecast have to be translated into a revenue plan after adjustment of various factors associated with sales. Revenue plan preparation involves the following four interrelated step (I) the sales forecast (II) the marketing plan (III) the promotional expenses budget and (IV) the selling expenses budget. The overall responsibility of preparing sales budget lies in the sales manager, although chief executives should also be involved in such activities.

Revenue plan is prepared on the basis of sales forecast. NTC has practice of preparing sales forecast and the demand for long term which is known as long term forecast. NTC prepares revenue budget for every fiscal year and it also forecast the strategic plan for coming national plan. NTC prepares its revenue budget by line capacity and service. NTC has no any problem in selling its line but it has facing problem in line generation.

The financial planning department and revenue department of Nepal Telecom has the overall responsibility of preparing the revenue budget. Revenue budget is prepared by co-ordination among revenue section, billing section and business management section. Like other organizations, it does not have distribution channels. Consumer contacts themselves to get telephone services. There is no strong competition in the market except UTL and Spice Nepal. NTC is enjoying absolute monopoly in communication sector.

The beginning point for the evaluation of existing revenue planning practices is to analyze past trends of planned sales revenue and its achievement. The following table

4.1 presents the sales budget and actual sales in unit and Rupees respectively from the fiscal year 2065/66 2069/70

Table: 4.1

Revenue Trend of NTC

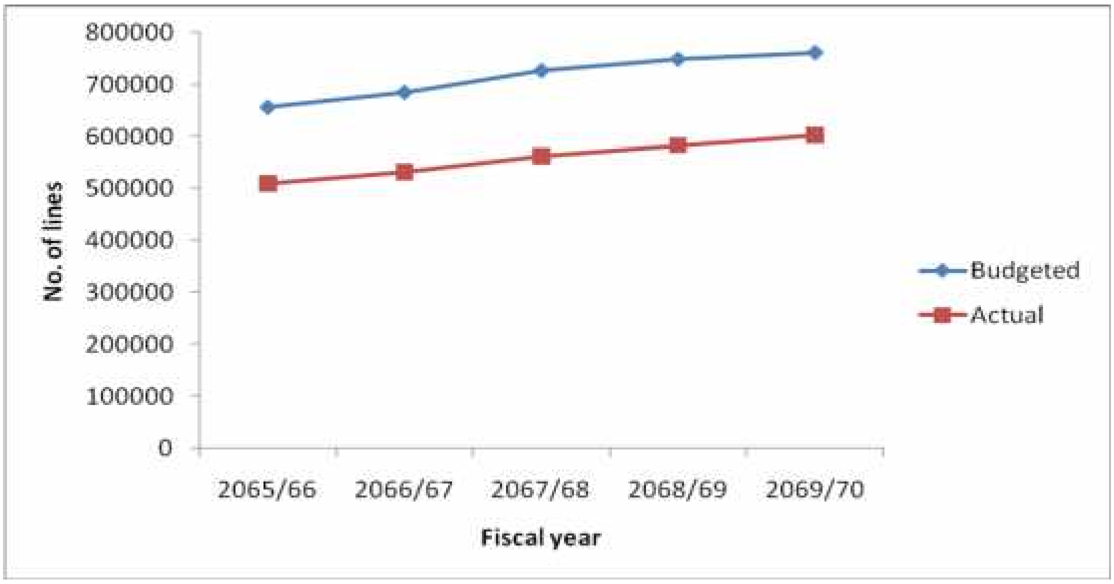
Fiscal Year	In Units (Lines)				In Rupees (In '000')			
	Budgeted Sales	Actual Sales	Increase/Decrease over previous year		Budgeted Sales	Actual Sales	Increase/Decrease over previous year	
			Budgeted %	Actual %			Budgeted %	Actual %
2065/66	656070	509873	-	-	13559463	14751624	-	-
2066/67	684942	532391	4.40	4.42	17972992	17889310	32.55	21.27
2067/68	726980	562162	6.14	5.59	21758640	22257714	21.06	24.42
2068/69	749205	583542	3.06	3.80	28858173	27221068	32.63	22.30
2069/70	761903	603291	1.69	3.38	30873461	29849161	6.98	9.65

Source: Annual Report and Budget Book of NTC

The sales trend of units or no. of line case is also presented by the help of the following graph 4.1.

Figure: 4.1

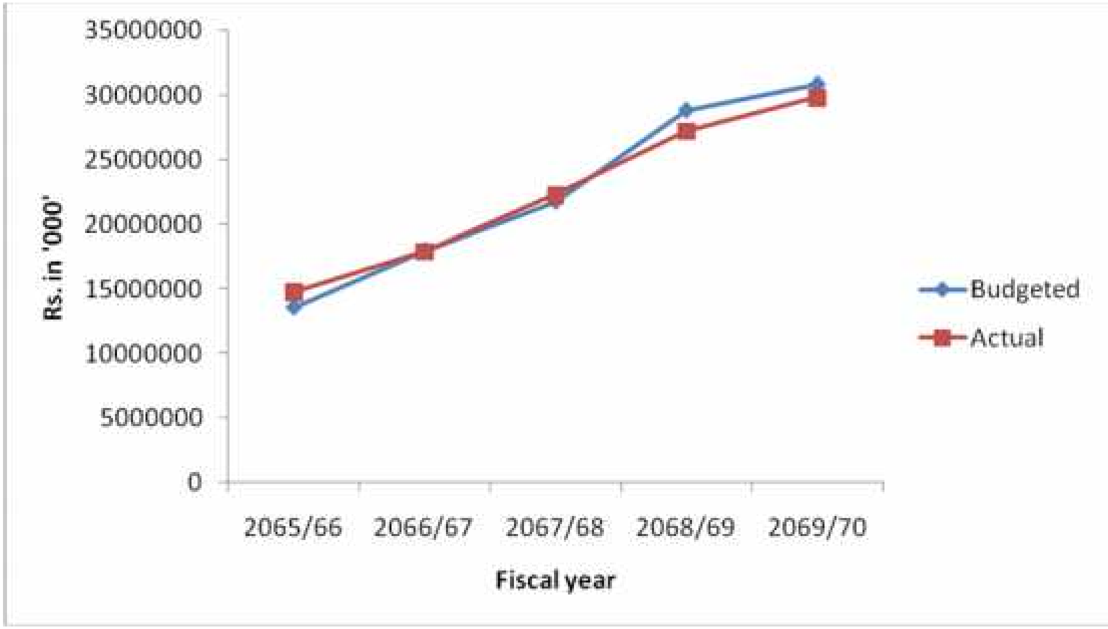
Sales Trends of NTC



Increase/decrease over previous year in budgeted and actual sales units can be shown by the help of the following graph 4.2.

Figure : 4.2

Revenue Trends of NTC



The above table and figure shows that in all the fiscal year (F/Y) budget and actual sales units are increased. It shows that the budgeted sales units has been increased over previous year by 4.40%, 6.14%, 3.06 % and 1.69 % for F/Y 2066/67, 2067/68,2068/69 and 2069/70 respectively. Similarly the table shows that the actual sales unit has been increased over previous year by 4.42%, 5.59%, 3.80% and 3.38%for F/Y 2065/66, 2066/67,2067/68, 2068/69and 2069/70 respectively. It shows that there is no consistent increment in budgeted and actual sales unit. After analyzing this increment, it can easily be found that the demand of telephone is too high in Nepal due to the increment in population and customer awareness. Therefore, Nepal Telecom objectives must be targeted to fulfill the customer demand.

In the same way, the table 4.1 also shows that in all the fiscal year budgeted and actual sales revenue are in increasing trend. The table shows that in F/Y 2066/67 budgeted and actual sales revenue has been increased by 32.55% and 21.27% respectively. Similarly, in F/Y 2067/68 it increased by 21.06% and 24.42% respectively. In the same way in F/Y 2068/69 has been increased by 32.63% and 22.30% respectively. Similarly in the F/Y 2069/70 increased by 6.98% and 9.65%. This increment in budgeted and actual revenue is the result of large number of lines distribution of PSTN and mobile phone.

It can be notified that the actual sales revenue is in increasing trend if compare to previous year. But actual sales revenue is not increased in same ration to number of line increased. It shows that the collection policy of Nepal Telecom is not effectively implemented and the NTC is not able to forecast its sales accurately. There is no consistency between budgeted and actual sales units and revenue due to lack of proper planning and management.

4.2.2 Revenue Achievement of Nepal Telecom

The beginning point for the evaluation of existing revenue planning is to analyze the past trends of planned sales revenue and actual sales revenue. Based upon the data available from Nepal Telecom following table shows the budgeted and actual sales revenue with their respective achievement from the fiscal year 2065/66 to 2069/70.

Table: 4.2

Budgeted and Actual Sales Achievement

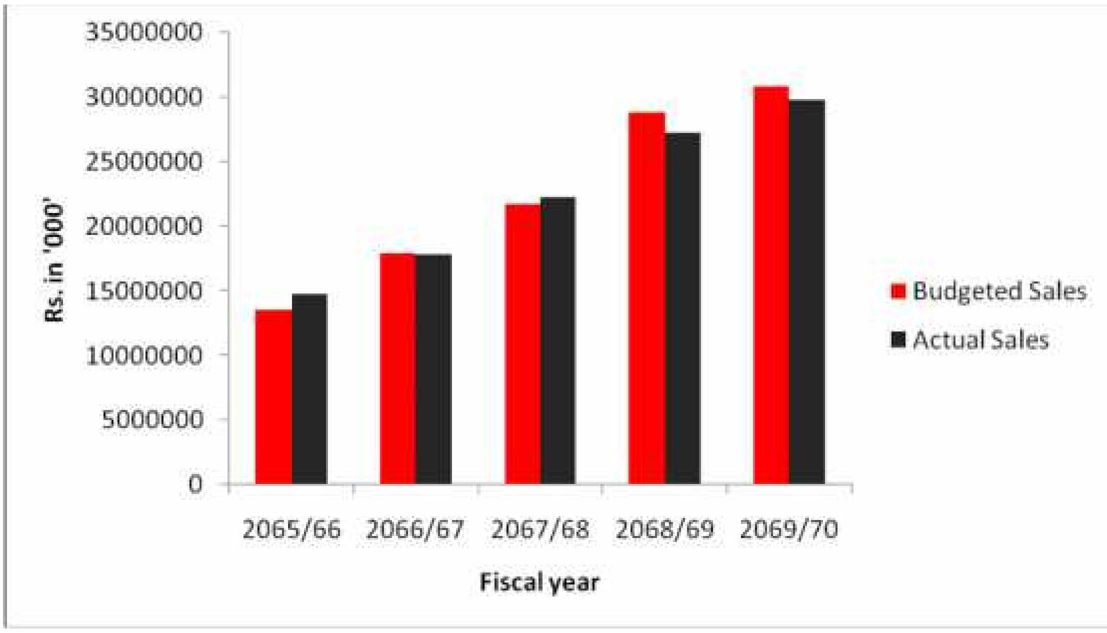
In Units (No of Lines)				**In Rupees (In '000')**		
Fiscal Year	Budgeted Sales	Actual Sales	Achieved (In %)	Budgeted Sales	Actual Sales	Achieved (In %)
2065/66	656070	509873	77.72%	13559463	14751624	108.79%
2066/67	684942	532391	77.73%	17972992	17889310	99.53%
2067/68	726980	562162	77.33%	21758640	22257714	102.29%
2068/69	749205	583542	77.89%	28858173	27221068	94.33%
2069/70	761903	603291	79.18%	30873461	29849161	96.68%
Average			**77.97%**			**100.33%**

Source: Annual Report and Budget Book of NTC

The sales revenue achievement of NTC also can be shown efficiently by the help of diagram.

Figure : 4.3

Target Achievement of NTC



The above table and figure signifies that the budgeted and the actual sales in unit and Rupees with their respective achievement of NTC. The analysis of above table 4.2 shows the highly satisfactory sales performance of Nepal Telecom. In unit basis, sales achievement is 77.97 % in average which is at least satisfactory. In the F/Y 2065/66 the budgeted sales of NTC was 656070 lines and gradually increased up to the F/Y 2069/70 which was 761903 lines. But, the achievement percentage gradually fluctuating during the research period which is not positive signal to the company regarding the sales units/No. of telephone lines. Thus, the company should increase its achievement rate by proper planning and control.

In the same way, in F/Y 2065/66 the budgeted sales revenue was Rs. 13559463. Annual budgeted sales revenue is increasing from F/Y 2065/66 to 2069/70. On the other hand, the actual sales revenue is in increasing trend during the research period. The actual sales revenue of NTC in F/Y 2065/66 was Rs. 14751624 which reached to Rs. 29849161 in F/Y 2069/70. By the analysis of table, it can be said that the sales revenue achievement of NTC is highly satisfactory. The average achievement of revenue is 100.33% which is itself a good signal for the company. But in F/Y 2066/67, 2068/69 and 2069/70 actual sales revenue was low in comparison to budgeted sales revenue and achievement was just 99.53%, 94.33% and 96.68% which shows that Nepal Telecom has not clear guidelines of selling and revenue collection.

4.2.3 Summary of Statistical Calculation

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

Table: 4.3

Summary of statistical calculation

Statistical Tools	Budgeted sales in Rs. (X)	Actual sales in Rs. (Y)
Mean	22604.55	22393.77
Standard deviation	10519.68	10324.73
Co-efficient of variation (C.V)	9.31 %	9.22 %

Source: Appendix I

The above table 4.4 shows the value of statistical tools. A distribution having more C.V is considered more variable or more heterogeneous or less consistent. A distribution having lesser C.V is considered less variable or more homogeneous or more consistent or more uniform. It also states that the actual sales are more deviated or fluctuated year by year as the coefficient of variation of the actual sales as shown in the table is greater than the budgeted sales. The C.V of actual sales is 9.22% where as budgeted sales is 9.31%.

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

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

Now the straight line trend by least square method for actual sales upon time is expressed by

Y_c =a + bx………………….(i)

Where,

Y=Actual sales achievement

X=Deviation taken in time

a=Fixed value

b=Variable value

Table: 4.4

Fitting Straight Line Trend by Least Square

Fiscal Year (X)	Actual Sales in Rs.00000(Y)	x=X-2067/68	x^2	xY
2065/66	14751.624	-2	4	-29503.248
2066/67	17889.310	1	1	17889.310
2067/68	22257.714	0	0	0
2068/69	27221.068	1	1	27221.068
2069/70	29849.161	2	4	119396.644
	Y =111968.87	x =0	x^2 =10	xY =99225.15

Since, x =0, then,

$$a \,\mathrm{X} \frac{Y}{n} \,\mathrm{X} \frac{111968.87}{5} \,\mathrm{X}\, 22393.77$$

$$b \,\mathrm{X} \frac{xY}{x^2} \,\mathrm{X} \frac{99225.15}{10} \,\mathrm{X}\, 9922.52$$

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

Y_c = 22393.77 + 9922.52x

This trend line equation shows the positive relationship between time [years} and actual sales achievements. The actual sales will be increased by 9922.52 million every year if the sales trends of past years continue in the future.

By using this trend line equation, we can estimate the actual sales for fiscal year 2068/069.

The value of deviation {x} for fiscal year 2068/069 is 3.

We have,

Y_c=22393.77 + 9922.52x

=22393.77 + 9922.52 ×3

=Rs.52161.33 million.

Or

= Rs. 52161333 (In thousand)

If the past sales trend does not change then the future actual sales will be Rs.52161.33 million in fiscal year 2068/069. By the help of least square method, we can say that the trend of actual sales will have in increasing pattern.

Testing of Hypothesis:

Hypothesis testing is a well defined and a clear cut decision making procedure. Hypothesis testing begins with an assumption or supposition, called a hypothesis that we make about a population parameter.

In hypothesis testing, the first thing is to set up a hypothesis about a population parameter. Then we collect sample data, produce sample statistics and use this information to decide how likely it is that our hypothesized population parameter is correct. Suppose we assume a certain value for a population mean. To test the validity of our assumption we gather sample data and determine the difference between the hypothesized value and the actual value of the sample mean. Then we judge whether the difference is significant. The smaller the difference, the greater the likelihood that our hypothesized value for the mean is correct. The larger the difference, the smaller the likelihood. The statistical hypothesis may be divided into two types: Null hypothesis (H_0) and alternative hypothesis (H_1). The null hypothesis in testing the significance states that there is no real difference in the sample mean and the population mean and is denoted by (H_0). Any hypothesis which is complementary to the mull hypothesis is called on alternative hypothesis and is denoted by H_1.

In a hypothesis testing the level of significance is set up. It is denoted by ’α’ {alpha}. We generally use 5 %.{ 0.05} level of significance unless otherwise stated. For a hypothesis testing student's t-distribution or 't' test is adopted here which was developed by W.S. Gosset. The t- distribution {t-test} is used when the sample is 30 or less than 30($\leq$30).

The t-test can be numerically presented as under:

$$t = \frac{\overline{X} - \mu}{\frac{S}{\sqrt{n}}}$$

Where,

$$\overline{X} = \frac{X}{n} = \text{Sample Mean}$$

μ = population mean

n = sample size

S = standard Deviation of Sample

$$= \sqrt{\frac{x^2}{n-1}}, \; x = X - \overline{X}$$

Now formulation of Hypothesis:

Null Hypothesis (H_o): There is no significant different between actual sales achievement (i.e. sample mean) and budgeted achievements (i.e. population mean) or $\overline{X} = \mu$

Alternative Hypothesis (H_1): There is significant different between actual achievement and budgeted Sales or $\overline{X} \neq \mu$.

Hence, applying t-test formula;

Then we have,

$$t = \frac{\overline{X} - \mu}{\frac{S}{\sqrt{n}}} = \frac{22393.77 - 22604.55}{\frac{10324.73}{\sqrt{5}}} = \frac{-210.78}{4617.36} = -0.0456$$

Hence, (t) = .0456

Where,

$\overline{X}$ = Sample mean or actual sales mean.

μ = Population mean or budgeted sales

S = Sample S.D.

Therefore, degree of freedom (d.f.) = n-1 = 5-1= 4

Tabulated value of 't' at 5% level of significance for 4 d.f. for two tail test =2.776.

The tabulated value of 't' (i.e. 2.776) is greater than computed value of 't' I.e.0.0456 So, the alternative hypothesis is rejected and null hypothesis is accepted. Therefore we can conclude that there is no significance difference between actual sales and budgeted sales of NTC.

4.2.4 Contribution of Each Category in Totals Sales:

Contribution of each category in total sales revenue from fiscal year 2065/66 to 2069/70 is presented in table 4.5.

Table : 4.5

Percentage Contribution of each Category in Total Sales Revenue

Category/ Fiscal year	**2065/66**	**2066/67**	**2067/68**	**2068/69**	**2069/70**
GeneralTelephone					
Local Telephone	22.97	19.17	15.23	12.14	10.23
STD	10.90	7.41	4.31	2.95	1.94
ISTD	8.85	5.51	2.93	1.20	0.83
Lease circuit & other services	0.24	0.23	0.44	0.41	3.25
Telex, Telegraph	0.06	0.01	0.00		0.00
Pay Phone , PCC Card	0.56	0.30	0.00		0.00
I.N. Service	0.00	0.00	0.35	0.12	0.03
Internet	0.13	0.13	0.10	0.05	0.04
ADSL	0.00	0.10	0.72	1.40	2.33
Others	1.60	1.23	0.69	0.52	0.60
Mobile (GSM)					
Local	4.35	5.58	3.73	3.23	3.13
STD	1.15	0.30	0.18	0.16	0.10
ISTD	0.72	0.66	0.50	0.28	0.31
Airtime	2.07		0.00	0.00	0.00
Roming	0.99	0.97	0.68	0.90	0.53
Prepaid Card	0.71	1.81	5.37	2.16	0.63
Recharge Card	14.65	20.75	27.12	39.18	39.02
GPRS	0.00	0.00	0.00	0.06	0.07
Others	1.41	2.87	2.58	1.78	0.68
CDMA					
Local	1.85	1.09	0.79	0.90	0.86
STD	0.87	0.70	0.32	0.16	0.08
ISTD	0.87	0.52	0.23	0.07	0.40
Data Service	0.07	0.08	0.07	0.07	0.06
SMS	0.00		0.00	0.00	
Prepaid Card	0.73	1.11	0.60	0.57	0.71
Recharge Card	1.82	8.54	9.21	7.52	6.14
Others	0.74	1.07	0.66	0.57	0.25
Non Operating Income	5.32	5.44	7.24	7.40	8.59
Sale of materials & other	3.00	0.71	0.74	0.54	0.01
International sharing	13.37	13.71	15.21	15.65	19.45
Total	**100**	**100**	**100**	**100**	**100**

Source: Appendix-II.

The above table 4.8 gives the insights of contribution of each category in total sales revenue. The table shows that the Local Telephone category gives the highest contribution in total sales revenue. The contribution of Local Telephone in total sales revenue remained in between 24.63% and 28.56% with the average 26.42%. The second highest contributing category in sales revenue is STD category which average contribution is 20.32%. Similarly, the third highest contributing category in sales revenue is international sharing category with the average contribution is 18.69%. In the same way, other category such as ISTD, mobile and sales of materials & other has considerable contribution in total revenue with average contribution 15.91%, 12.91% and 4.60% respectively. But rests of the category have loss than 1% contribution. The table also shows that one category in marsat, sat phone has no contribution in total sales revenue which means NTC is not providing service of in marsat & sat phone or it the category is out of date.

4.2.5 Analysis of Sales variance of Nepal Telecom:

In any control process, the comparison of actual results with planned of budgeted goals. Comparison is assisted by the performance reports. Variance is the deviation between budgeted or planned goals and actual results obtained. Variance analysis is the determination of the reasons for a reported variance whether it is favorable or unfavorable. If the variance is unfavorable then the company management should lead to remedies through appropriate corrective actions by the efficient management. Now, the following sales variance of Nepal Telecom is analyzed for last five fiscal years.

Sales Variance in Units (No. of Lines):

When actual sales are higher than budgeted sales, it is known as favorable variance and such variance is usually a right of efficiency. On the other hand, when the actual sales are lower than budgeted sales, it is called unfavorable variance and usually indicates inefficiency. The following table shows the sales variance in lines of NTC of last five fiscal year.

Table: 4.6

Sales Variance (In No. of Lines) of Nepal Telecom

Fiscal Year	Actual Sales Lines	Budgeted Sales Lines	Variance (+ or -)	Remarks
2065/66	509873	656070	(146197)	Unfavorable
2066/67	532391	684942	(152551)	Unfavorable
2067/68	562162	726980	(164818)	Unfavorable
2068/69	583542	749205	(165663)	Unfavorable
2069/70	603291	761903	(158612)	Unfavorable

Source: Annual Report & Budget Book of NTC.

The above table shows that actual sales lines are lower than budgeted sales lines in all fiscal year. Thus, the situation is unfavorable for the company. It shows that Nepal Telecom does not have well developed scientific mechanism for predetermining standard.

Sales Revenue Variance (In Rs.):

The analysis of the sales revenue variance has been conducted in this research which gives the actual results of sales revenue realization. The following table shows the sales revenue variance of Nepal Telecom for the last five fiscal year from 2065/66 to 2069/70.

Table: 4.7

Sales Revenue Variance (In Rs.) of Nepal Telecom

In Rs. '000'

Fiscal Year	Actual Revenue	Budgeted Revenue	Variance (+ or -)	Remarks
2065/66	14751624	13559463	1192161	Favorable
2066/67	17889310	17972992	(83682)	Unfavorable
2067/68	22257714	21758640	499074	Favorable
2068/69	27221068	28858173	(1637105)	Unfavorable
2069/70	29849161	30873461	(1024300)	Unfavorable

Source: Annual Report & Budget Book of NTC.

The table 4.7 shows the sales revenue variance of Nepal Telecom from 2065/66 to 2069/70. According to the table in F/Y 2066/67, 2068/69 and 2069/70 actual sales revenue are less than budgeted by Rs. 83682, 1637105 and 1024300 respectively which shows unfavorable situation of the company. Other remaining year's sales revenue variances are positive which means favorable. It can be said that Nepal Telecom has been operating its activities very efficiently.

4.2.6 Relationship between Total Revenue and Profit

Profit is the major element of each and every business endeavor for survival and future development. Business without Profit exists nowhere. However, the concept of profit is changing from time to time. In presents reasonable profit approach seems to hold a strong position. Profit is the nerve center of any business organization. So, it can be said that profit is the blood circulation of any organization. Profit is essential to pay expenditure, dividends, to get benefits from opportunities and to make financials contribution to natural treasury. In modern times effectiveness and efficiency of any business/management are measured by profit. Profit of any organization highly depends upon sales revenue.

NTC has been generating positive returns. Thus, it has been well-known to public as highly profitable organization in public utility sector. The following table shows the revenue and profit & loss trend of NTC from F/Y 2065/66 to 2069/70.

Table: 4.8

Total Revenue and Profit & Loss Trend of NTC.

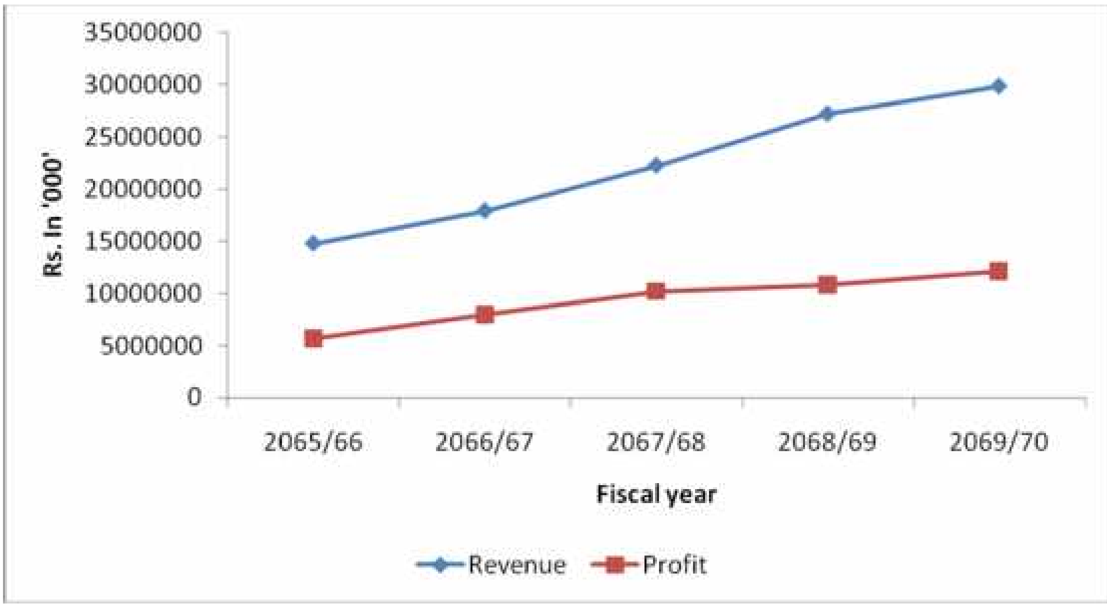
Fiscal Year	Total Revenue (In Rs. '000')	Increase/Decrease over previous year (%)	Profit & Loss (In Rs. '000')	% of Profit & Loss on Total Revenue	Increase/Decrease over previous year (%)
2065/66	14751624	-	5652688	38.32%	-
2066/67	17889310	21.27	7942902	44.40%	40.52
2067/68	22257714	24.42	10178025	45.73%	28.14
2068/69	27221068	22.30	10775154	39.58%	5.87
2069/70	29849161	9.65	12120299	40.61%	12.48

Source: Annual Report of NTC.

Increase/decrease over previous year or the trend of total revenue and profit & loss can be presented by the help of following graph 4.4.

Figure: 4.4

Revenue and Profit Trend of NTC



The above table and figure show the revenue and profit & loss trend i.e. increase/decrease over previous year assuming F/Y 2065/66 as base year. The graph presents that the total revenue is in fluctuating trend. At first, total revenue and profit is in increasing trend up to F/Y 2066/67 then is in decreasing trend but the increase/decrease ratio of percentage of total revenue and profit & loss in not same.

The above line graph gives the clear picture of relationship between total revenue and profit & loss of NTC during the research period of 2069/70. The total revenue is in increasing trends from F/Y 2065/66 to 2069/70. But the profit & Loss trends is some how fluctuation during the research period. Profit was in increasing trend between F/Y 2065/66 to 2067/68 and it slightly down in F/Y2068/69 after that it was in increasing trend. In conclusion, Total revenue & profit & loss trend both are in increasing trend & they are increasing in same direction.

The account of Total Revenue and profit & loss trends of NTC from F/Y 2065/66 to 2069/70. It is clear that NTC has been generating unexpectacular profit during research period. Thus NTC is well known to the general public as a most profitable organization. In all the F/Y percentage of profit & loss on sales revenue is more than

38% which shows better performance of organization despite the fact that the NTC has been enjoying monopoly in telecommunication sector.

The least square method can be used to analyze the trend of profit & loss and to estimate the possible future profit or loss for a given time of year. Considering the time factors as independent and profit or loss as dependent factor upon time. It will show the relationship between year and profit or loss.

Let, the straight line trend be $y_c = a + bx$

Table: 4.9

Fitting Straight Line Trend by Least Square

F/Y (X)	Profit/loss (Y) (In Rs.'000')	x=X-2066/67	x2	xY
2065/66	5652688	-2	4	-11305376
2066/67	7942902	-1	1	-7942902
2067/68	10178025	0	0	0
2068/69	10775154	1	1	10775154
2069/70	12120299	2	4	24240598
	∑Y=46669068	∑x=0	$\sum x^2=10$	∑xY=15767474

Since ∑x=0 then,

$$a \text{ X} \frac{Y}{n} \text{ X} \frac{46669068}{5} \text{ X} 9333813.60$$

$$b \text{ X} \frac{xY}{n} \text{ X} \frac{15767474}{5} \text{ X} 3153494.80$$

Now substituting the value of ‘a’ and ‘b’ in the above equation,

We have,

Y_c= 9333813.60+ 3153494.80 x

For the estimation of profit or loss for the year 2069/70,

We have,

x = 3

Y_c= 9333813.60+ 3153494.80×3

= 18794298 (In Rs. '000')

The estimated profit for the fiscal year 2068/69 will be Rs. 18794298 (In Rs. '000') if the past profit trend continues. With the help of least square method, we can say the trend of profit of NTC is increasing.

To analyze the relationship between sales and profit of NTC, some statistical tools are used which are presented below.

Table: 4.10

Summary of Statistical Tools

Statistical Tools	Total Revenue "X"	Profit "Y"
Arithmetic Mean	22393.77	9333.81
Standard Deviation	2510.75	1020.59
Coefficient of Variation (C.V)	11.21%	10.93%
Correlation Coefficient (r)	0.97	
Coefficient of Determination (r2)	94%	
Probable Error (P.E)	0.0181	

Source: Appendix III

The above table shows that the profit is less deviated than revenue being C.V 10.93% as compared to C.V 11.21% of total revenue. The correlation coefficient is used to analyze the relationship between total revenue and profit. From above table the value of correlation is 0.97 which shows highly positive correlation between total revenue and profit. That means total revenue and profit moves in quite same direction.

One very convenient and useful way f interpreting the value of coefficient of correlation is coefficient of determination (r^2). The value of coefficient of determination between total revenue and profit is 0.94 which shows that profit is expanded up to 94% only by total revenue and remaining part by other factors.

The significance of correlation can be tested or verified by probable error. If the value of "r" is less than six time of P.E there is no evidence of correlation i.e. the value of "r" is not significant. Here the value of "r" is greater than 6*PE (i.e. 0.97>0.69) that means the value of "r" is significant. So, it can be concluded that the value of profit will go on for same direction of total revenue.

4.2.7 Analysis of Account Receivable of Nepal Telecom

Receivable management is one of the major challenges of Nepal Telecom at present. Average collection period provides the information on the liquidity of the receivable, the shorter period of collection has higher debtor's turnover ratio. Higher the duration of collection periods express over liberal and inefficient credit policy. To analyze the account receivable of Nepal Telecom, mainly debtor's turnover and average collection periods are useful to measure the relationship between receivables and net revenue from sales. So, the debtor's turnover ratios are presented from the period F/Y 2065/66 to 2069/70. The ratio is calculated as follows and the detail results of these analyses are presented in given below on the table.

$$\text{Average collection Period (ACP)} = \frac{\text{Receivable}}{\text{Net Sales}} * 365$$

Or

$$= \frac{\text{Days in } a \text{ Year}}{\text{Debtor Turnover}}$$

$$\text{Debtor's turnover ratio (DTR)} = \frac{\text{Sales}}{\text{Receivable}}$$

Table: 4.11

Sales Revenue, Account Receivable, Debtor Turnover Ratio and Average Collection Period

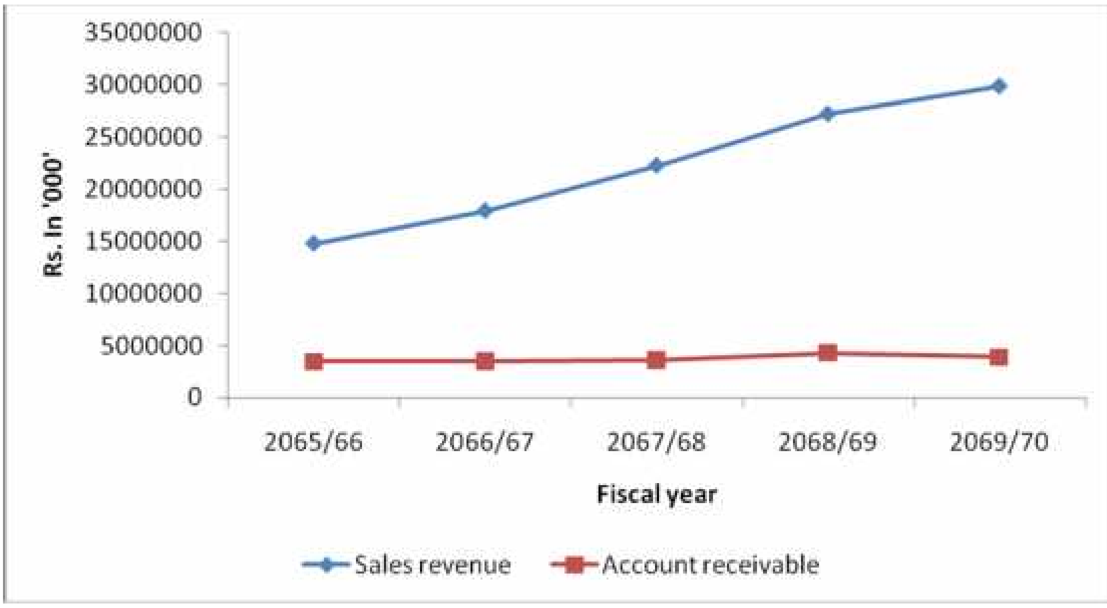
Fiscal Year	Sales Revenue (In Rs. '000') A	Account Receivable (In Rs. '000') B	Debtor Turnover C=A/B	Average Collection Period = 360/C
2065/66	14751624	3455512	4.27 Times	84.33 Days
2066/67	17889310	3482611	5.14 ,,	70.08 ,,
2067/68	22257714	3593205	6.19 ,,	58.12 ,,
2068/69	27221068	4295998	6.34 ,,	56.81 ,,
2069/70	29849161	3904743	7.64 ,,	47.09 ,,

Source: Annual Report of NTC.

The relationship of sales and account receivable can also be shown by the help of graph as follows:

Figure: 4.5

Relationship between Sales and Account Receivable



The above table and figure show that both the sales and account receivable are fluctuating during the whole research period. Account receivable is not increasing with the increment in sales & vice versa.

Sales revenue, account receivable, debtor turnover and average collection period of NTC from year 2062/63 to 2068/69.The table highlight that as sales revenue increases, it puts impact on Account receivable, so, account receivable increases. Debtor turnover is increasing trend.

The average collection period of NTC is also is decreasing trends. It was 100.84 days in fiscal year 2062/63 and decreases to 56.78 days in fiscal year 2068/69.

4.3 Cash Management of Nepal Telecom

One of the objectives of this study as stated in chapter 1 is to have true insight in to 'cash management' of Nepal Telecom. One of the major responsibilities of management is to plan, control and self guard the resources of the enterprise. There are two kinds of resources flow through many business i.e. cash and non-cash assets. Cash is ready money in the bank or in the business and it is the important current asset for the operations of the enterprises. Cash is the basic input needed to keep the enterprises running smoothly. It would probably be more to say that business failure is due to poor cash management. So, how can manage organization's cash situation better? In this study the effort has been made to assess and to analyze the cash management to disclose the actual position of cash management in Nepal Telecom.

4.3.1 Analysis of Cash Balance of NTC

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

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

Table: 4.12

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

In Rs. '000'

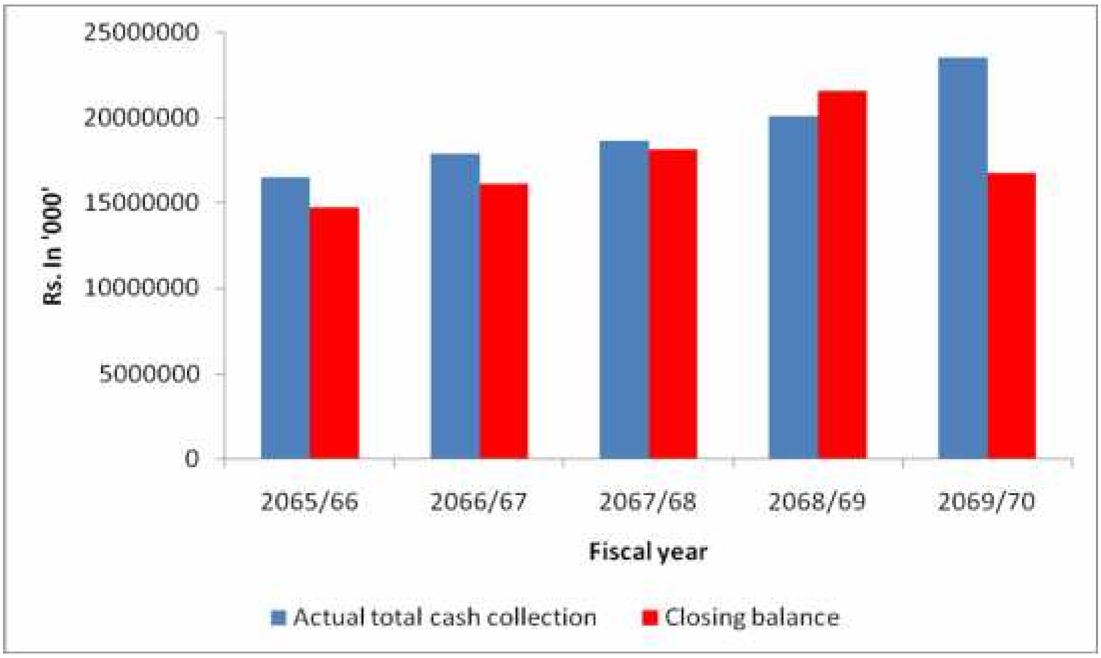
Fiscal year	Actual Total Cash Collection	Cash Balance	Increase/Decrease in Cash Balance	Sales Revenue	Cash Turnover Time
2065/66	16510177	14746338	-	14751624	1.00
2066/67	17921542	16134517	9.41%	17889310	1.11
2067/68	18692514	18191058	12.75%	22257714	1.22
2068/69	20152689	21611536	18.80%	27221068	1.26
2069/70	23568468	16769205	-2.24%	29849161	1.78

Source: Annual Report and Budget Book of NTC.

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

Figure: 4.6

Actual Total Cash Collection and Closing Cash Balance



The above table and figure also show that cash turnover time is also in fluctuating order. The lowest turnover ratio is 1.00 times in F/Y 2065/66. cash turnover are 1.00, 1.11, 1.22, 1.26 and 1.78 times in F/Y 2065/66, 2066/67, 2067/68, 2068/69 and 2069/70 respectively and the average is 1.10 times. Lower turnover is the signal of shortage of liquidity. This shows that cash turnover is poor in the company. It indicates that the company is unable to collect cash from its credit rate timely. From the analysis, it can be concluded that the cash collection efficiency in Nepal Telecom is satisfactory.

Actual cash collection is in increasing trend over the five year period. In F/Y 2065/66 total cash collection was Rs. 16510177 (In Rs. '000') then increasing it reached to Rs. 23568468 in F/Y 2069/70. Cash balance of the company is also in increasing trend. The table also shows that the actual cash collection is higher than cash balance in the five year period. In conclusion, these figures shows that the company has no define policy of cash management in the initial year but it maintained following the years.

4.3.2 Analysis of Cash to Current Liabilities of NTC

Among the technique of measuring corporate liquidity, the ratio of cash to current liabilities may also be used as an index of cash management. This ratio indicates the amount of cash (in percentage) available to pay the current obligation of the firm. In general, a low percentage of cash to current liabilities may be regarded as favorable indicators because sufficient use of cash helps to increase profit. However, a very low ratio is also not desirable as it may lead to corporate insolvency.

The table 4.13 below presents the level of cash in relation to current liabilities of Nepal Telecom for five fiscal year from 2065/66 to 2069/70.

Table: 4.13

Position of Cash and Current Liabilities of NTC

Fiscal Year	Cash & Bank	Current Liabilities	Percentage	Ratio
2065/66	14746338	6715883	219.57%	2.20
2066/67	16134517	7915501	203.83%	2.04
2067/68	18191058	6718055	270.78%	2.71
2068/69	21611536	6929355	311.88%	3.12
2069/70	16769205	7858019	213.40%	2.13

Source: Annual Report and Budget Book of NTC.

The above table 4.13 indicates that the cash and bank balance are always higher than current liabilities. The level of cash in relation to current liabilities is in decreasing trend i.e. 219.57%, 203.83%, 270.78% for F/Y 2066/67 and 2068/69 respectively. But, it is in increasing trend i.e. 270.79% and 311.88% for F/Y 2067/68 and 2068/69. In the same way, cash to current liabilities ratio is also in decreasing trend in F/Y 2066/67 and 2069/70 then it is in increasing trend up to F/Y 2068/69. from the analysis, it can be said that the company has enough cash to pay the current obligation of the company but it also shows that Nepal Telecom has not manage its cash properly. In conclusion, excessive cash balance shows that NTC is not utilizing its cash properly and hence the company has faced the problem of cash management.

4.3.3 Cash Flow Projection and Actual Cash Budget of NTC

Cash flow statement is the process of monitoring, analyzing and adjusting business' cash flows. The most important aspect of cash flow management is avoiding extended cash shortages, causes by having too great a gap between cash inflows and out flow. Therefore, business need to perform a cash flow analysis on a regular basis, and use cash flow forecasting so the business can taken the steps necessary to head off cash flow problems. For managing and improving cash flow Nepal telecom has estimated and actual cash budget for each fiscal year.

The cash flow projection shows how cash is expected to flow in and out in the business. It is an important tools for cash flow management, when business expenditure are too high or when we might want to arrange short-term investments to deal with a cash flow surplus. Budget cash flow is a plan of cash flow and shows the cash that is anticipated to be generated or expended over a chosen period of time in the future. On the other hand, actual cash budget describes the cash flow that has occurred in the past. Estimated and actual cash budget of Nepal Telecom is presented on the table below.

Table: 4.14 (I)

Estimated and Actual cash Budgeted summary of NTC

In Rs. '000'

Year	2065/66			2066/67			2067/68		
Description	**Budgeted**	**Actual**	**Achieved**	**Budgeted**	**Actual**	**Achieved**	**Budgeted**	**Actual**	**Achieved**
Total Internal Sources	11912645	16510177	138.59%	13568910	17921542	132.08%	14268973	18692514	131.00%
Total External Sources	0	0	0.00%	0	0	0.00%	0	0	0.00%
Total Cash Collection (A)	11912645	16510177	138.59%	13568910	17921542	132.08%	14268973	18692514	131.00%
Total Cash Application (B)	10956847	13785464	125.82%	12915681	16533363	128.01%	13178578	16635973	126.23%
Surplus/Deficit	955798	2724713		653229	1388179		1090395	2056541	
Opening Balance of Cash	10655130	12021625	112.82%	12242532	14746338	120.45%	14438892	16134517	111.74%
Closing Balance of Cash	11610928	14746338	127%	12895761	16134517	125.11%	15529287	18191058	117.14%

Source: Annual Report and Budget Book of NTC.

Table: 4.14 (II)

Estimated and Actual cash Budgeted summary of NTC

In Rs. '000'

Year	2068/69			2069/70		
Description	**Budgeted**	**Actual**	**Achieved**	**Budgeted**	**Actual**	**Achieved**
Total Internal Sources	14879245	20152689	135.44%	17258901	23568468	136.56%
Total External Sources	0	0	0.00%	0	0	0.00%
Total Cash Collection (A)	14879245	20152689	135.44%	17258901	23568468	136.56%
Total Cash Application (B)	14256814	16732211	117.36%	17628016	28410799	161.17%
Surplus/Deficit	622431	3420478		-369115	-4842331	
Opening Balance of Cash	16623460	18191058	109.43%	18795532	21611536	114.98%
Closing Balance of Cash	17245891	21611536	125.31%	18426417	16769205	91.01%

Source: Annual Report and Budget Book of NTC.

The above table 4.15 (I) and (II) shows that the budgeted and actual cash budget as well as achievement of planned of Nepal Telecom. Total cash is collected from two sources i.e. internal sources and external sources. Internal sources has significantly more contribution to total cash collection if compare to external source in all the fiscal year. From the above table, it can be found that the achievement of planned is in fluctuating trend during the research period. The achievement in F/Y 2062/63 was 138.59% but it reached to 132.08% in F/Y 2065/66. Again it decreasing to 131% in F/Y 2066/67 in the same way it decreased to 94.46% in F/Y 2067/68. Finally it increased to 136.56%. Similarly, achievement in total cash application is also in fluctuating trend in all the fiscal year. This shows that the budgeted total cash application is always lower than actual in all the fiscal year. This indicates the NTC has been able to utilize the cash properly. In the same way, the above table also shows that budgeted total cash application is always lower than budgeted total cash collection. This means, NTC has been practicing surplus budget and actual cash budget shows this in all the fiscal year except F/Y 2068/69. Actual total cash collection is always higher than actual total cash application. This shows the fact that NTC has been facing serious problem about the best utilization of cash.

In the same way, the above table clarifies that the actual closing balance of cash is always higher than budgeted closing balance of cash. The achievement in closing cash balance is in increasing trend. Similarly, actual closing cash balance in F/Y 2062/63 was Rs. 12021625 but it increased year by year and reached to Rs. 21611536 in F/Y 2068/69. In conclusion, closing cash balance of NTC is positive and it is higher than projected cash balance on the whole study period. Closing cash balance is in increasing trend.

The estimation or projection of cash flow is powerful management tool in Nepal Telecom. By knowing its cash position now and the future, Nepal Telecom can get benefit to purchase sufficient inventory for seasonal cycles, to take advantage of discount and special purchases, for adequate future financing and properly plan equipment purchases for replacement or expansion. It is said that lack of liquidity can be a killer even for profitable business. But Nepal Telecom has sufficient cash till the study period. After analyzing the budgeted and actual cash position, there is huge difference on budgeted and actual cash balance. Thus, Nepal Telecom should get an effort to minimize the difference.

If the cash coming 'in' to the business is more than the cash going 'out' of the business, the company has a positive cash flow. Nepal Telecom has also positive cash flow i.e. good for the company. Sometimes it is worry about what to do with the excess cash. The main danger when putting together a cash flow projection is being over optimistic about the projected sales. Nepal Telecom has succeeded to avoid a cash crisis by developing cash flow projection.

4.3.4 Cash Flow Statement of NTC

Cash flow statement is an important tool which provides information to its users about the ability of the enterprise to generate cash and its utilization. In recent years, the statement of cash flows has come to be viewed as a part of full set of financial statement. NTC prepares short term cash budget in a systemic way. It estimate the probable cash receipts and cash disbursements with the help of other functional budget and estimates the probable future cash deficits or surplus. Cash flow statement signifies the movements of “Cash-in” and “Cash-out” of the company. Inflow of cash is known as source of cash and outflow of cash is called use of cash.

Cash flow statement of the corporation signifies the movements of cash in hand and out of corporation. Inflows of cash are known as source of cash and outflow is called use of cash. This statement also depicts the factors for such inflow and gets flow of cash. It virtually takes the nature and character of cash receipt and cash payments through the basic information used in the preparation of this statement differs from that which is used in recording cash receipts and cash payments in cash inflows and outflows are explained and shown in cash flow statement before highlighting its nature and utility. The actual cash flow statement is presented on the heading of cash flow investment activities for the fiscal year 2062/63 to 2068/69. The following table shows that the position of cash flow from operation, investing and financing activities and their mean, and % of cash flow from operating activities with operating profit.

Table: 4.15

Statement Showing Cash Flow Position from Various Activities

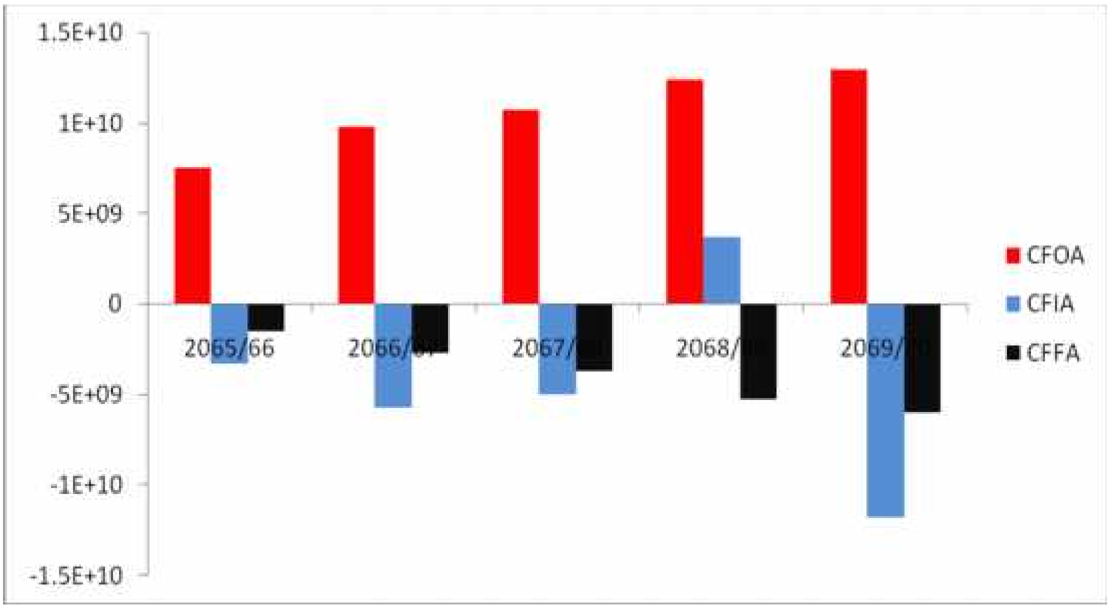
Activities	**2065/66**	**2066/67**	**2067/68**	**2068/69**	**2069/70**	**Mean/Average**
CFOA	7526293970	9799160046	10716850813	12361498089	12943078168	10669376217
CFIA	-3326419166	-5709494306	-4955364151	3715058882	-11822592537	-4419762256
CFFA	-1475161719	-2701483949	-3704945329	-5225960846	-5962817190	-3814073807
Net Operating Profit	7983321923	10871456130	13633989872	14441095208	16389639364	12663900499
% of CFOA with operating profit	94%	90%	79%	86%	79%	84%
% change	-	-4.25%	-12.22%	8.86%	-8.13%	6.32%

Source: Annual Report of NTC.

The position of the cash flow from different activities of the NTC also can be shown by the help of the following diagram:

Figure : 4.7

Cash Flow Position of NTC



Where,

CFOA = Cash flow from operating activities

CFIA = Cash flow from investing activities

CFFA = Cash flow from financing activities

The above table figure show the cash flow position from operating financing and investing activities. From the analysis of the diagram it can be easily be found that the cash flow from investing and financing is in negative form. This shows that the NTC is investing huge amount of money of financing activities. Cash investment in financing & investing activities is increasing year by year. The diagram also shows the cash flow from operating activities is increasing year by year and it is sufficient to cover the negative cash flow from investing and financing activities. Finally the closing cash balance of NTC is all the fiscal year is positive and increasing year by year. This shows the good condition of cash balance in the company but remains the danger of idle cash balance if the closing cash balance increases. Therefore, the company should adopt the effective cash management policy for the better utilization of cash.

The cash flow position of company in different fiscal year. From fiscal year 2065/66 to 2069/70 cash inflow from operating activities was increasing year by year. Cash flow from operating activities shows the strong position of the NTC. Cash flow from investment activities was in negative and high in F/Y 2069/70 which means cash outflow. In rest of the study period there was negative cash flow in investing activities but not as much as in year 2066/67. This shows that the company was extending it services and project. Again it shows that the company was in growing stage. Similarly, the table shows that the company had negative cash flow from financing activities from year 2065/66 to 2069/70 that means it was paying its long term liabilities. More over, it can be concluded that the company is paying back its loan and investing its fund simultaneously, which became possible because of retained earning. Cash flow from operating activities was ploughed for the investment and loan payment. It shows strong financial position of the company.

Percentage ratio of cash flow from operating profit is increasing every year. Hence, we can conclude that NTC's financial position is strong if comparing with the operating profit. It shows that the company is in profitable condition but not in proper planning. If there is proper planning the company can achieve more profit in future.

An average or mean cash flow from operating activities is increasing in every year. It is 10669376217 as an overall. It is small than the fiscal year 2065/66 and 2066/67. This shows that the company doesn't maintain an average. But in the F/Y 2067/68, 2068/69 and 2069/70 it is 10716850813, 12361498089 and 12943078168 respectively. Comparing with average it can be said that the company is in good position regarding the cash flow from operating activities. Similarly, the mean or average cash flow from investing activities is Rs. -4419762256 which is in negative. It shows that the company is investing huge amount in telecommunication infrastructure development. In the same way, mean or average cash flow from financing activities is also in negative which is Rs. -3814073807. This means the company also investing huge amount in repaying its debt and in marketable securities. In conclusion, the company has been maintaining adequate liquidity despite its repayment of loan and investment in infrastructure.

4.4 Major Findings of the Study

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

- Budgeted sales unit is in fluctuating trend from 4.40% to 6.14%, 6.14% to 3.06% and 3.06% to 1.69%. Similarly, actual sales unit also is in fluctuating trend from 4.42% to 5.59%, 5.59% to 3.80% and 3.80% to 3.38%.
- Achievement in sales unit has not been met during the research period. The highest achievement in units is 79.18% in F/Y 2069/70. Similarly achievement in sales revenue is not met any fiscal year. Achievement in sales revenue of five fiscal year is less than 100%.
- The trend line equation by least square method shows that the actual revenue in the F/Y 2070/71 will be Rs. 52161333 (In thousand).
- The 't' test distribution shows that there is no significant difference between budgeted sales and actual sales of NTC.
- The analysis of category wise contribution in sales revenue shows that the category of Mobile (GSM) Recharge Card Service has the highest contribution i.e. 28.14% in average while the least contribution is 0.04% of Fax, Telegraph & Pay phone. Again, there is a category i.e. in marsat/Sat phone which does not have any contribution in sales revenue.
- The analysis of sales variance in unit (No. of lines) shows the unfavorable situation. Because of the high demand of telephone line there exist gap between budgeted and actual sales of no. of telephone line. The local calls are increasing at this stage but the revenue per line is decreasing. It is due to the bad governance and slow economic growth. But the sales variance in Rupees shows the favorable situation except on fiscal year for the company. It is clear that NTC is realizing actual revenue more than budgeted which is good signal for the company.
- The analysis of profit and loss shows that NTC is generating maximum profit during the whole research period. Percentage of profit in total revenue is more than 38% in all the fiscal year.
- The regression line calculated by least square method shows the expected profit Rs. 18794298 (In thousand) for the F/Y 2068/69.
- The correlation coefficient (r) of total revenue and profit is 0.97 which shows that the correlation is highly positive. This means they move to the same direction.

- The coefficient of determination (r^2) is 0.94 i.e. 94%. This means that profit is expanded up to 94% only by total revenue and the remaining portion 0.06 i.e. 6% is expanded by other factors.
- The probable error (P.E) of correlation coefficient is 0.0181 which is six times less than correlation i.e. 0.97>0.69. Hence, the correlation coefficient is significant.
- Correlation and coefficient value shows that there is a positive relationship between total sales revenue and profit. By the help of regression line, it is clear that future revenue will increase with the increment of total revenue if other things remaining the same.
- The review of overall cash management aspect of NTC shows that there is satisfactory cash balance in the company. Cash to current liabilities ration is also highly satisfactory with the average 2.55 times. Similarly, the cash flow projection shows that actual cash collection is higher than projected and actual cash application is also higher than budgeted in all the year during the research period.
- The analysis of the cash flow statement shows that cash flow from operating activities is positive and in increasing trend. But cash flow from investing and financing activities is negative. Closing cash balance are positive in all the fiscal years.

CHAPTER-V

SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.1 Summary

Planning is the essence of management. Without it, efficient management can not be imagined. Management planning provides the basis for performance. In NTC revenue results from the sale of telephone service which is measured by the charges made to customers. Revenue is influenced by both internal and external factors. Most of the corporate planning process begins from revenue planning which co-ordinates the effort of revenue department, production department and all other departments. Many factors should be considered for revenue planning including revenue trends, limitations of supply, potential competitors and general level of economy.

Cash management is concerned with the decision regarding the short term funds influencing overall profitability and risk involving in the firm. The management of cash has been regarded as one of the conditioning factors in the decision making issue. It is, no doubt, very difficult to point out as to how cash is needed by a particular company. It is very essential to analyze and find out the solution to make an efficient use of funds for minimizing the risk of loss and to attain profit objectives.

Since the establishment of Nepal Telecommunication Corporation, for the past 38 years it has been providing reliable and affordable telecommunication services to the nation. Nepal Telecommunication Corporation was dissolved and converted to Nepal Telecom from 1st Baisakh 2061. It was registered under the company act 2053. The privatization of Nepal Telecom has been proved to be beneficial for the efficient operation of the company. Nepal Telecom has growing concern of greater national importance in the area of providing telecommunication services and to serve as an impetus to the social, political an economic development of the country. Nepal Telecom has been enjoying monopoly in telecommunication sector except UTL and Spice Nepal. However, the company is continuously facing problem of cash management due to the improper management of revenue and increasing debtors. Further more, Nepal Telecom has been investing a large amount of net profit in non-productive sectors that increases the operating expenses which never help it to generate the revenue. So, the objective of this study is to have true insight into its "Revenue planning and cash management". If Nepal Telecom is able to manage revenue efficiently, undoubtly the company can manage its cash very effectively. In the light of this fact, the study has attempted to provide a possible suggestive framework for the better revenue planning and cash management of Nepal Telecom.

As per the nature and requirement of the study, secondary data are used with the descriptive and analytical research design. For this research study five years data from fiscal year 2065/66 to 2069/70 has been used. Data are tabulated and presented as per the requirement of the study.

For the analysis of data different statistical tools like arithmetic mean, standard deviation, coefficient of correlation, coefficient of variation, coefficient of determination, probable error of correlation, regression graph, diagrams and hypothesis testing have been used. Similarly, financial tools such as ratio analysis and variance analysis have also been used.

This study has been organized in five main chapters consisting of introduction, review of literature, research methodology, presentation and analysis of data and summary, conclusion and recommendation. Besides this bibliography and appendix has also been included in this research study.

The sales performance of Nepal Telecom is satisfactory and sales revenue is increasing every year but rate of increment is fluctuating. The company's main source of revenue is GSM Mobile recharge card service which covers 28.14% of total revenue and second highest contributing sector is STD. Thus, these two sector has been playing crucial role in generating revenue if compare to other category. As a matter of fact, Nepal Telecom is still unable to provide telephone services according to consumer's demand. Therefore, Nepal Telecom needs to improve its quality of services through proper standardization which may help to increase its revenue and profit.

Throughout the study, it is found that Nepal Telecom has huge amount of cash and bank balance. Cash is an inevitable means and ends for the business operation and it must be held in sufficient. Holding of cash both in excess and insufficient than requirement may lead a firm to serious problems. Nepal Telecom has enough cash but it is found that the cash management of Nepal Telecom is not effective. Basically, efficient cash management is concerned with the management of cash inflow and out flow but the figure and data shows the inability of effective cash management of Nepal Telecom because it is lying idle.

The main source of cash of Nepal Telecom is sales of telephone services. Besides this source, company receives income from the sale of materials, maturity of financial investment and other. Company uses its cash to purchase telephone exchange, materials, capital expenditures, administrative expenses, employee cost and operating & maintenance cost etc. The company holds cash for transaction motives. Despite this fact, Nepal Telecom has getting effort for the effective cash management which helps the company to maintain sufficient liquidity and to improve its profitability.

5.2 Conclusions

Having analyzed the overall revenue planning and cash management of NTC, the following conclusions are drawn.

- During the whole study period, the actual sales achievement in units or no. of lines is lower than the budgeted targets. This fact is realized due to ineffective implementation of budget.
- The actual sales achievement in Rupees is higher than budgeted. This is the contradictory situation for the company considering the fact that an actual sales unit is lower than budgeted. This fact is also realized due to high price charged by the company taking advantage from its monopoly situation in telecommunication sector.
- The category wise achievement in sales revenue shows fluctuating average which is due to ineffective planning. So, the categories having average below hundred percent should be increased.
- NTC should get consistency in the contribution of different category for the total revenue especially in some category such as internet, telex and fax and telegraph & pay phone.
- During the whole research period, there is no any contribution of in marsat, sat phone category. So, this category should be stopped.
- NTC has been generating highly satisfactory profit during the whole research period. So, it is a profitable organization but the profit is based on high price charge by the company.
- NTC has failed to make collection plans of next year on the basis of previous year collection.

- The relationship between budgeted and actual sales is positive. Therefore, it can be concluded that the actual sales revenue in future will be increased.
- NTC has not exercised in preparing monthly budget which is extremely necessary for planning and controlling.
- The balance sheet and cash budget of Nepal Telecom shows the huge amount of cash and bank balance lying idle and it indicates some deficiencies of the company to utilize its liquid assets. So, Nepal Telecom could not make the best use of available cash balance prudently.
- The cash collection efficiency in Nepal Telecom is better through which the company can maintain desire level of cash balance but the company has not determine optimum cash balance.
- The cash and bank balance with respect to current liabilities shows that the company has enough cash to pay the current obligation. In overall, Nepal Telecom has positive cash flow which is good for the company but the company has not clear policy to invest excess cash. Thus, the company has faced the problem of effective cash management

5.3 Recommendations

Revenue planning and cash management is the essence of management. Financial efficiency is essential for achieving the goals and objectives of any business enterprises. Based on the overall research study, the following suggestions are recommended for the efficient formulation and implementation of revenue planning and cash management of Nepal Telecom.

- Nepal Telecom's economic planners should be properly trained for the effective Revenue Planning and Cash Management through the participation in the Training, Seminar, Workshop and on the job training etc.
- Nepal Telecom should make effective plans & programmes and it should be analyzed on the basis of company's ability and environment. It is because; the company is making plan on ad-hoc basis. Therefore, the system of proper sales forecasting and budgeting need to be adopted and followed.
- Budgeted target of sales unit or no. of line has not been met but the demand of telephone line is higher. Thus, Nepal Telecom should follow management by objectives (MBO) techniques to maintain co-ordination, cooperation and self-

motivation among the different regional branches, departments and employees.

- The financial position of the company should timely be evaluated by the help of ratio analysis and other relevant financial and mathematical tools.
- Nepal Telecom should follow the proper cash planning to estimate cash collection and payments accurately which helps to control the cash flow very effectively. Similarly, NTC should follow various cash management techniques such as Baumol & Miller-Orr model etc. which can be applied to predict the optimal cash balance.
- NTC should forecast planned collection for next year on the basis of actual cash collection of previous year.
- NTC is keeping excess cash balance which is the main cause of idle cash. Therefore, NTC should determine its optimum cash balance. Then, excess cash balance should be invested in productive sector so that idle cash balance would not occur.
- The company's liquidity position is satisfactory. However, it is important for the company to estimate how much fund is necessary to maintain liquidity position and to invest the surplus cash funds in marketable securities or profitable opportunities to generate revenue.
- Nepal Telecom should develop & follow the long term strategy related to revenue planning and cash management which is very important to generate maximum revenue and maintain adequate cash in long term. Moreover, the company must use such strategy to shorten the cash conversion period so that it can be helpful for ' close the cash flow gap'.
- Nepal Telecom should try to reduce overdue amount of receivables. NTC should provide incentives to its employee to encourage them for the collection of overdue amount of receivable. Moreover, NTC should establish separate department for the collection of old debt (defaulters) that will help to monitor revenue collection. In revenue collection process any kind of undue influence (especially political), nepotism and biases should strictly be discouraged.

BIBLIOGRAPHY

Books:

Agrawal, G.R. (2008), *Dynamics of Business Environment in Nepal,* Kathmandu: M.K. Publishers and Distributors.

Agrwal, G.R. (2003), *Entrepreneurship Development in Nepal*, Kathmandu: M.K. Publishers and Distributors.

Bajracharya, B.C. (1998), *Business Statistics and Mathematics,* Kathmandu: Khanal Books Prakashan.

Bajracharya, P. et al., (2068). *Management Accounting*. Kathmandu: Asmita Publication.

Bhattacharya, S.K and Deardon J. (1980) *Accounting for Management: Text and Cases.* New Delhi: Vika Publishing House Pvt. Ltd.

Dangol, R.M. (1997), *Management Accounting,* Kathmandu: Taleju Prakashan.

Dangol, R.M. and Prajapati, K. (2001), *Accounting for Financial Analysis and Planning*, Kathmandu: Taleju Prakashan.

Fago, G. (2003), *Profit Planning and Control*, Kathmandu: Buddha Academic Enterprises Pvt. Ltd.

Fago, G. and Koirala, K. (2054), *Application of Profit Planning and Control Theories and Practice,* Kathmandu: K.P. Pustak Bhandar.

Finney, H.A., & Miller, H.E. (1963). *Principles of Accounting.* Englewood Eliffs: Printice Hall Inc.

Fregmen J.M. (1973), *Accounting for Management Analysis,* Homewood: Richard D. Irwin.

Goet, J. et al., (2005), *Budgeting Profit Planning & Control*, Putalishadak, Kathmandu: Asmita Books Publishers and Distribution.

Gupta, S.C. (1982), *Fundamentals of Statistics,* New Delhi: Himalayan Publication House.

Gupta, S.P. (1992), *Management Accounting Budgeting, Business Budget & Budgetary Control*, New Delhi: Agra Shahitya Bhawan.

Hornby, A.S. & Cowie, A.P. (1992), *Oxford Advanced Learner's Dictionary English*, Indian Edition, Calcutta: Indian edition, Oxford University Press.

Jhingan, M.I. (1998). *The Economics of Development and Planning, N*ew Delhi: Vrinda Publications (P) Ltd.

Joshi, Shyam (1994). *Managerial Economics*. Kathmandu: Taleju Prakasan.

Levin, Richard I. & Rubin, David S. (1999), *Statistics for Management*, New Delhi: Prentice Hall of India (P) Ltd.

Lynch, Richard M. & Williamson, R.W. (1998), *Accounting for Management*, New Delhi: Tata McGraw Hill Publishing Co.

Pandey, I.M. (1991), *Financial Management*, New Delhi: Vikash Publishing House.

Robertson, Andrew (1968), *Corporate Planning*, London: British Institute of Management.

Shukla, M.C. (1992), *Mercantile Law*, New Delhi: S. Chand & Company Ltd.

Stein, Jess & Urdang, Laurence (1985), *The Random House Dictionary of the English Language*, New York: Random House Inc.

Van Horne, James, C. (1990). *Financial Management & Policy*, New Delhi Prentice Hall of India.

Varma, K. & Agrawal, G.R. (1996). *Management Accounting.* New Delhi: King Book Educational Publishers.

Welsch, Glenn A, Hilton, Ronald W. & Gordon, Paul N. (1999), *Budgeting Profit Planning & Control* , 5th edition, New Delhi : Prentice Hall of India .

Wolf, Howard K & Pant, Prem Raj (2004), *A Hand Books for Social Science Research and Thesis Writing*, Kathmandu: Author.

Previous Research Works:

Acharaya, B. (2004). *Revenue planning and management of manufacturing companies in Nepal: A case study of national Biscuits and confectionary Pvt. Ltd (NEBICO).* An Unpublished Master's Degree Thesis, Submitted to Shanker Dev Campus, Faculty of Management, T.U.

Karki, Prabesh (2007). *Revenue Planning in Service oriented Company*" *A case studies of Nepal Telecom Limited.* An Unpublished Master's Degree Thesis, Submitted to Shanker Dev Campus, Faculty of Management, T.U.

Ranabhat, Santosh (2012). *Revenue Planning of Nepal Investment Bank Limited.* An Unpublished Master's Degree Thesis Submitted to Central Department of Management, T.U.

Sharma, Dipendra Kumar (2011). *Study on Revenue Planning and Management practices of Dabur Nepal Pvt. Ltd.* An Unpublished Master's Degree Thesis, Submitted to Shanker Dev Campus, Faculty of Management, T.U.

Shrestha, Amir (2010). *A Sales Planning In Kathmandu Milk Supply Scheme.* An Unpublished Master's Degree Thesis, Submitted to Shanker Dev Campus, Faculty of Management, T.U.

Shrestha, Satish Kumar (2007). *Role of Sales Plan in Profit Planning in Nepalese Public Enterprises: A Case Study of Nepal Electricity Authority.* An Unpublished Master's Degree Thesis, Submitted to Shanker Dev Campus, Faculty of Management, T.U.

Thapa, Hem Bahadur (2013). *Revenue Planning and Control of Grand Pvt. Ltd.* An Unpublished Master's Degree Thesis, Submitted to CDM, T.U.

Journals, Reports, Articles & Publications:

Central Bureau of Statistic, *Nepal in Figure 2004,* GON -NPCS, Kathmandu: CBS.

Central Bureau of Statistics, *Banking and Financial Statistics no. 35, Statistical Pocket Book.*

Economic Society of Nepal (2005), *The Journal of Economic Society Occasional Issue.*

Ministry of Finance, Nepal Government, *Economic Survey* FY 2011/12 B.S., Kathmandu: MoF.

Oxford English Dictionary, 2012.

UNDP (2010), *Human Development Report 2012.* Kathmandu.

World Bank (2012), *World Development Report 2011/12.* Kathmandu.