Revenue Planning and Management of Nepal Airlines Corporation

A

Thesis Submitted

 $\mathbf{B}\mathbf{y}$

Rajib Singh

Roll No.: 195/063

T.U. Reg. No: 7-2-359-07-2003

Exam Symbol No.: 2469

To

Office of the Dean

Faculty of Management

Tribhuvan University

In partial fulfillment of the requirement for the degree of

Master of Business Studies (M.B.S.)

Kathmandu, Nepal

March, 2012

RECOMMENDATION

This is to certify that the Thesis

Submitted by	7	•
--------------	---	---

Rajib Singh

Entitled:

Revenue Planning and Management of Nepal Airlines Corporation

has been prepared as approved by this department in the prescribed format of the Faculty

of Management. This the	sis is forwarded for examination.	
		•••••
Yamesh Man Singh Pandey	Prof.Bisheshwor Man Shrestha	Ruchila
(Associate Professor)	(Head of Research Department)	(Associate Prof.)
(Thesis Supervisor)		(Campus Chief)

VIVA-VOCE SHEET

XX7 1	1 , 1 ,	1 X 7 T X 7 A	TIOOD	• ,•	C (1 (1	•
W/A hava	conducted t	ha VIV/	-VOCE exar	nination	tor tha that	110
	COHUICIEU I		- • • • • • • • • • • • • • • • • • • •	пппаноп	TOT THE THE	11.7

Submitted by:

Rajib Singh

Entitled

Revenue Planning and Management Practices of Nepal Airline Corporation

and found the thesis to be the original work of the student and written according to the prescribed format. We recommended the thesis to be accepted as partial fulfillment of the requirement for the degree of Master of Business Studies (MBS).

VIVA -VOCE Committee:

Head of Research Committee	ee:
Member (Supervisor)	:
Member (External Expert)	:

DECLARATION

I hereby declare that the work report in the thesis entitled on "Revenue Planning and

Management Practices of Nepal Airlines Corporation" submitted to Shankar Dev

Campus, Faculty of Management, Tribhuvan University is my original work done in the

form of the partial fulfillment of the requirement for the degree of Master of Business

Studies (MBS) under the supervision of Associate Professor Yamesh Man Singh of

Shankar Dev Campus, Faculty of Management, T.U.

Rajib Singh

Shanker Dev Campus

Campus Roll No:195/063

T.U. Regd. No.:7-2-359-07-2003

Symbol No.:2469

ACKNOWLEDGEMENT

It is my great honor to complete this thesis under the supervision of Mr. Yamesh Man

Singh, Associate Professor of Shanker Dev Campus, Faculty of Management, T.U. I want

to thank him for his intellectual direction, supervision and inspiration during the

preparation of this thesis. It would not have been possible for me to complete this work

without his guidance.

I would also like to extend my deepest gratitude to all my respected teachers of Shanker

Dev Campus, for their warm cooperation during this study.

I highly appreciate to all the staffs of Nepal Airlines Corporation and Shanker Dev

Campus Library for their valuable advices and support in collecting and presenting the

necessary data and journal.

I express my deep gratitude to my friends, family members and related people who were

directly and indirectly involved to assist me in the entire preparation period.

Finally, I am responsible for all the errors and omissions, I apologize for any mistakes

and thankful for your valuable suggestions.

Rajib Singh

T.U. Reg. No: 7-2-359-07-2003

Exam Symbol No.: 2469

(Researcher)

CONTENTS

Recommendation	
Viva-Voce Sheet	
Declaration	
Acknowledgement	
Contents	
List of Table	
List of Figure	
Abbreviation	
	Page No
CHAPTER-1: INTRODUCTION	1-15
1.1 Background of the study	01
1.2 History of air transportation in Nepal	01
1.2.1 The Corporate Purpose of NAC	04
1.2.2 Board member of NAC	05
1.2.3 Management Committee of NAC	06
1.2.4 Organization Chart of NAC	07
1.2.5 Domestic Destinations of NAC	08
1.2.6 International Destinations of NAC	09
1.2.7 Ground Handling by NAC	09
1.2.8 Current Aircrafts of NAC	10
1.3 Introduction of Revenue Planning and Management	11
1.4 Statement of the Problem	12
1.5 Objectives of the study	13
1.6 Significance of the Study	13
1.7 Limitation of the Study	14
1.8 Organization of the Study	14

CHAPTER-2: REVIEW OF LITERATURE	16-43
2.1 Concept of Planning	16
2.1.1 Nature of Planning	18
2.1.2 Qualities of Planning	18
2.1.3 Long range and short range planning	18
2.1.4 Other Functions of Management	19
2.2 Forecasting	19
2.2.1 Types of Forecasting	20
2.2.2 Forecasting Vs Planning	22
2.3 Concept of Revenue	23
2.3.1 Business revenue (Operating revenue)	23
2.3.2 Other revenue (Non-operating revenue)	23
2.3.3 Revenue Planning	23
2.3.4 Revenue Planning Process	24
2.4 Concept of Profit	26
2.4.1 Concept of Profit Planning	27
2.4.2 Concept of Profit Planning and Control	28
2.5 General Concept of Budgeting or Planning	28
2.5.1 Essentials of an Effective Budgeting	29
2.5.2 Purposes of Budgeting	31

2 F 2 Times of Dudget	
2.5.3 Types of Budget	31
2.5.4 Limitations of budgeting	33
2.6 Review of the previous thesis	33
2.7 Research Gap	43
CHAPTER-3: RESEARCH METHODLOGY	44-49
3.1 Research Design	44
3.2 The Population and Sample	44
3.3 Sources of Data	44
3.4 Data collection Techniques	45
3.5 Data Analysis Tools	45
3.5.1 Financial Analysis	45
3.5.2 Statistical tool	46
CHAPTER-4: PRESENTATION AND ANALYSIS OF DATA	50-72
4.1 Sales Budget	50
4.2 Budgeted passenger services and achievement	50
4.3 Calculation of Mean, Standard Deviation, Coefficient of	
Variation and Probable error	52
	Ε.4
4.4 Test of significance of correlation coefficient	54
4.4 Test of significance of correlation coefficient4.5 Calculation of Trend by Fitting Straight line Trend,	54
	55
4.5 Calculation of Trend by Fitting Straight line Trend,	
4.5 Calculation of Trend by Fitting Straight line Trend, Least Square for Actual passenger services Trend	55

4.8 Test of significance of correlation coefficient	59
4.9 Calculation of Trend by Fitting Straight line Trend, Least	
Square for Actual cargo services Trend	60
4.10 Budgeted Operating revenue and Achievement	61
4.11 Calculation of Mean, Standard Deviation, Coefficient	
Of Variation and Probable error	63
4.12 Test of significance of correlation coefficient	64
4.13 Calculation of Trend by Fitting Straight line Trend,	
Least Square for Actual operating revenue Trend	65
4.14 Analysis of Ratio between Operating Revenue	
And Net profit	68
4.15 Calculation of Trend by Fitting Straight line Trend,	
Least Square for Actual Net Income Trend	69
4.16 Analysis of Cash Flow	70
4.17 Major Finding	71
CHAPTER-5: SUMMARY, CONCLUSION & RECOMMENDATION	73-77
5.1 Summary	73
5.3 Recommendations	75
BIBLIOGRAPHY	

APPENDIX

LIST OF TABLE

Table No.	Title	Page No.
1.1	Current board members of NAC	5
1.2	Current members of management committee of NAC	6
1.3	Current international destinations of NAC	9
1.4	Ground Handling by NAC for current foreign airlines	10
1.5	Maximum aircrafts of NAC	11
1.6	Current aircrafts of NAC	11
4.1	Budgeted passenger services and achievement	51
4.2	Summary of A.M, S.D, Coefficient of Variation	
	& P. E of Budgeted & Actual Passenger Service	53
4.3	Trend by Fitting Straight Line Trend, Least Square	
	For Actual Passenger service and possible service	55
4.4	Budgeted Cargo services and achievement	57
4.5	Summary of A.M, S.D, Coefficient of Variation	
	& P. E of Budgeted & Actual Cargo Service	58
4.6	Trend by Fitting Straight Line Trend, Least Square	
	For Actual Cargo service and possible service	60
4.7	Budgeted Operating revenue and Achievement	61

Table No.	Title	Page No
4.8	Summary of A.M, S.D, Coefficient of Variation	
	& P. E of Budgeted & Actual Operating Revenue	63
4.9	Trend by Fitting Straight Line Trend, Least Square	
	For Actual Operating Revenue and possible Revenue	65
4.10	Components of Operating Revenue	67
4.11	Ratio Analysis of Operating Revenue and Net profit	68
4.12	Trend by Fitting Straight Line Trend, Least Square	
	For Net Profit and possible service	69
4.13	Cash Flow Analysis of NAC	70

LIST OF FIGURE

Figure No.	Title	Page
4.1	Budgeted and actual Passenger Services	52
4.2	Trend line for actual and possible passenger's services.	56
4.3	Budgeted and Cargo Services	57
4.4	Trend line by for actual and possible cargo services.	61
4.5	Budgeted and Actual Operating Revenue	62
4.6	Trend line for actual and possible Operating revenue.	66
4.7	Trend line for actual and possible Net income.	70

LIST OF CHART

Chart No.	Title	Page No.
1.1	Organization chart of the NAC	7

LIST OF ABBREVIATIONS

NAC : Nepal Airlines Corporation

Mangt : Mangement

Actg . : Acting

T.U : Tribhuvan University

P.U : Purbhanchal University

INT'L : International