



TRIBHUVAN UNIVERSITY FACULTY OF MANAGEMENT POST-GRADUATE CAMPUS Biratnagar Morang, Nepal

# RECOMMENDATION

#### This is to certify that the thesis

## Submitted by BISHNU NIRAULA

### Entitled FINANCIAL PERFORMANCE OF PURBA NEPAL-MULTI- PURPOSE CO-OPERATIVE INSTITUTE LTD.

has been prepared as approved by this Department in the prescribed format of Faculty of Managements, Tribhuvan University. This thesis is forwarded for examination.

**SUPERVISOR** 

Name : Hiranya Pd. Gautam

Signature: .....

### HEAD OF DEPARTMENT Name : Prof. Dr. Khangendra Aacharya

Signature: .....

#### **CAMPUS CHIEF**

Name : Harihar Bhandarri

Signature : .....

Date : 2067/ / 2010/ /



TRIBHUVAN UNIVERSITY FACULTY OF MANAGEMENT POST-GRADUATE CAMPUS Biratnagar Morang, Nepal

**Ref. No. : .....** 

Ph. No.- 021-26321

# VIVA-VOCE SHEET

#### We have conducted the viva-voce examination of the thesis presented by

# **BISHNU NIRAULA**

### *Entitled:* A STUDY ON FINANCAIL PERFORMANCE OF PURBA NEPAL- MULTI PURPOSE CO-OPERATIVE INSTITUTE LTD.

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

Master's Degree in Business Studies (M.B.S.)

### VIVA-VOCE COMMITTEE

Chairperson, Management Research Department: .....

Member (Thesis Supervisor): .....

Member (External Expert): ..... Date : 2067/ / 2010/ /

### DECLARATION

I hereby declare that the work report in this thesis entitled "A STUDY ON FINANCIAL PERFORMANCE OF PURBA NEPAL-MULTI-PURPOSE CO-OPERATIVE INSTITUTE LTD., JHAPA" Submitted to the office of the Dean, Faculty of Management, Tribhuvan University is my Original work done in the form of partial fulfillment of requirement for the Master's Degree of Business Studies (M.B.S.) under the supervision of Lec. Hiranya Pd. Gautam.

> Bishnu Niraula Researcher Post Graduate Campus TU. Reg. No. 7-1-350-007-97

## ACKNOWLEDGEMENTS

This research paper has been prepared for the partial fulfillment of the requirement needed for the degree of Master of Business Studies. I express my sense of gratitude to Lect. Hiranya Pd. Gautam Supervisor of this thesis, for his valuable suggestions, guidance, cooperation, adequate support and regular supervision to complete this thesis. I also again indebted to Prof. Dr. Khagendra Aacharya, Chairman of research committee. I am equally indebted to Mr. Harihar Bhandari, Campus Chief, Post Graduate Campus, Biratnagar, Morang and I am indebted to staffs of my campus for their valuable support and co-operation throughout the research period.

Similarly sincere thanks are extended to all of the official members, specially to Mr. Ganesh Dhakal President of Purba Nepal Multi-Purpose Cooperative Institute Ltd., Jhapa for their kind co-operation to provide the valuable information requires for this study and their help in data collection.

Likewise I must not forget my parents Mrs.Tika Devi Nirula and my wife Sita Devi Regmi, family members as well as all relatives of mines those who always inspired me walk ahead for further achievement. For that I am very much grateful to them.

Lastly, special thanks are due to Mr. Pawan Shrestha and Asesh Bhattari of Chatra Chaya Traders for and excellent job of typing the dissertation manuscript and for his excellent performance in computer setting.

> Bishnu Nirula P.G. Campus, Biratnagar, Morang.

#### **TABLE OF CONTENTS**

SUBMISSION RECOMMENDATION DECLARATION VIVA-VOICE SHEET ACKNOWLEDGEMENT ABBREVIATIONS LIST OF TABLES

### Chapter -1 INTRODUCTION

Page No.

1.1	Focus of the study	1
1.2	Statement of the problem	2
1.3	Significance of the study	3
1.4	Objective of the study	3
1.5	Limitation of the study	3
1.6	Organization of the study	4

#### Chapter -2 REVIEW OF LITERATURE

2.1	Introduction	5
2.2	Financial Performance	5
2.3	Concept of financial statements	7
2.4	Parts of the financial statement	9
2.4.1	Balance sheet	9
2.4.2	Income statement	11
2.5	Uses of the financial statements	12
2.6	Limitation of the financial statement	12
2.7	Financial statement analysis	13
2.8	Types of financial statement analysis	14
2.9	Need of financial statement analysis	15
2.10	Tools and techniques of financial statement analysis	16
2.10.1	Funds flow statement	16
2.10.2	Financial ratio analysis	18
2.10.3	Trend percentage analysis	20
2.10.4	Trend Least squares methods analysis	21
2.10.5	Correlation Analysis	22
2.11	Review of research study	24

#### Chapter -3 RESEARECH-METHODOLOGY

3.1 Introduction

3.2 Resear	ch Design	26
3.3 Nature	and Sources of data	26
3.4 Popula	tion and sample of the study	27
3.5 Data co	ollection procedures	27
3.6 Data p	rocessing procedures	27
3.7 Resear	ch questions	27
3.8 Uses of	analytical Tools	27
3.8.1 I Funds	flow analysis	28
3.8.1.II Ratio	Analysis	29
3.8.1.II.a.i.	Current Ratio	29
3.8.1.II.a.ii.	Working capital to current assets ratio	30
3.8.1.II.a.iii	Cash and bank balance to total deposit ratio	30
3.8.1.II.a.iv	Cash and bank balance to current assets ratio	30
3.8.1.II.b.	Leverage Ratio	31
3.8.1.II.b.(i)	Debt-Equity Ratio	32
3.8.1.II.b.(ii)	Debt- Assets Ratio	32
3.8.1.II.b.(iii)	Debt to Total Capital Ratio	32
3.8.1.II.b.(iv)	Net fixed Assets to Equity	33
3.8.1.II.b.(v)	Current Assets to Equity ratio	33
3.8.1.II.c.	Activity Ratio	33
3.8.1.II.c.(i)	Loans Outstanding to collection ratio	34
<b>3.8.1.II.c.</b> (ii)	Loans collection to disbursement ratio	34
3.8.1.II.c. (iii)	Loans outstanding to disbursement ratio	34
3.8.1.II.c. (iv)	Loans outstanding to equity ratio	35
<b>3.8.1.II.c.</b> (v)	Investment to total deposit ratio	35
3.8.1.II.c. (vi)	Loans outstanding to Total Deposit	35
3.8.1.II.c. (vii)	Loans collection rate ratio	36
3.8.1.II.d.	Profitability Ratio	36
<b>3.8.1.II.d.</b> (i)	Net profit to total assets ratio	37
<b>3.8.1.II.d.</b> (ii)	Net profit to total Deposit Ratio	37
3.8.1.II.d. (iii)	Interest earned to total assets ratio	37
3.8.1.II.d. (iv)	Return on Equity Ratio	37
<b>3.8.2.I.</b>	Trend Percentage Analysis	37
<b>3.8.2.II.</b>	Trend Least Square Method Analysis	38
3.8.2.III.	Simple correlation analysis (coefficient of determination)	39

### Chapter- 4 PRESENTATION AND ANALYSIS OF DATA

4.1	Introductions	41
4.2	Funds Flow Analysis	41
4.2.1	Sources of Fund	43
4.2.2	Application of Funds	47
4.3	Ratio Analysis	52
4.3.1	Liquidity Ratios	53

4.3.2	Leverage Ratios	57
4.3.3	Activity Ratio	62
4.3.4	Profitability Ratios	69
4.4	Trend Percentage Analysis	73
4.4.1	Trend Percentage Analysis of Balance Sheet	74
4.4.2	Trend Percentage Analysis of Income Statement	79
4.4.3	Trend Analysis of Activities	82
4.5	Trend least square method Analysis	84
4.5.1	Trend least square method of balance sheet analysis	85
4.5.2	Trend least square method of income statement analysis	89
4.5.3	Trend least square method of Activities Analysis	92
4.6	Correlation Analysis	93
4.6.1	Correlation between Deposit and investment	93
4.6.2.	Correlation between disbursements and collections	95
4.6.3	Borrowings and loans outstanding	96

# Chapter-5

Chapter-5		
	SUMMARY, CONCLUSIONS AND RECOMMENDATIONS	
5.1	Summary	<b>98</b>
5.1.1	Funds Flow Analysis	<b>98</b>
5.1.2	Financial Ratio Analysis	99
5.1.2.1	Liquidity Ratios	99
5.1.2.2	The Leverage Ratios	99
5.1.2.3	Activity Ratios	100
5.1.2.4	Profitability Ratios	101
5.1.3.	Trend Percentage Analysis	102
5.1.4	Trend Least Square Method Analysis	103
5.1.5	Correlation Analysis	104
5.2	Conclusion	104
5.3	Recommendations	105

BIBLIGRAPHY

APPENDIX

### **ABBRIBATION**

A/C	Account
ADB	Agricultural Development Bank
AGM	Annual General Meeting
Amt	Amount
Bal	Balance
BEP	Break Even Point
B.S.	Bikram Sambat
Со	Company
Ed.	Edition
e.g.	exempli gratia (for example)
etc	et cetra
FY	Fiscal Year
Govt.	Government
i.e.	id est (that is)
Int	Interest
INGO	International Non Government Organization
No	Number
NGO	Non Government Organization
NPV	Net Present Value
OLP	Other Liabilities and Provision
<b>P.</b>	Page
PMCIL	Purbha Nepal Multi-Purpose Co-operative Institute Ltd.
P/L	Profit and loss
Rec.	Receivable
Rs.	Nepalease Rupees
S.N.	Serial Number
TDS	Tax deducted at source
TPA	Total Percentage Analysis
TALM	Trend Analysis Least Square Method
VDC	Village Development Committee