

**ANALYSIS OF CASH FLOW STATEMENT  
(With Special Reference to Nepal Television)**

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*In the partial fulfillment of the requirement for  
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# RECOMMENDATION

This is to certify that the Thesis

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**ANALYSIS OF CASH FLOW STATEMENT**

**(With Special Reference to Nepal Television)**

*has been prepared as approved by this Department in the prescribed format of  
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## **DECLARATION**

I hereby declare that the work reported in this thesis entitled “**ANALYSIS OF CASH FLOW STATEMENT (With Special Reference to Nepal Television)**” submitted to Office of the Dean, Faculty of Management, Tribhuvan University, is my original work done in the form of partial fulfillment of the requirement for the Master’s Degree of Business Studies (M.B.S.) under the supervision of **Asso. Prof. Achyut Raj Bhattarai and Romakanta Bhattarai** of Shanker Dev Campus, T.U.

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The present study “**Analysis of Cash Flow Statement (With Special Reference to Nepal Television)**” has been prepared for the partial fulfillment of the requirement for Master’s Degree of Business Studies (M.B.S) from Tribhuvan University. The main contribution of this study lies in explaining and exploring the situation of cash flow of NTV as a tool of cash management. This study will help to improve the skill for Planning and controlling cash. In addition, it is also useful for them who want to know about the situation of cash flow of NTV.

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**Tulashi Ram Basnet**  
Researcher

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## **ABBREVIATIONS**

A.D.	:	Anno Domini
B.S.	:	Bikram Sambat
B/S	:	Balance Sheet
CFFA	:	Cash From Financing Activities
CFIA	:	Cash from Investing Activities
CFOA	:	Cash from Operating Activities
etc	:	Et Cetera
FASB	:	Financial Accounting Statement Board
FFO	:	Fund From Operation
FY	:	Fiscal Year
i.e.	:	That is
IASC	:	International Accounting Standard Committee
ICAN	:	Institute of Chartered Accountants of Nepal
MBS	:	Master of Business Studies
NAS	:	Nepal Accounting Standard
NTV	:	Nepal Television
P.E.	:	Probable Error
P/L	:	Profit and Loss
T.U.	:	Tribhuvan University
WC	:	Working Capital

# **CHAPTER - I**

## **INTRODUCTION**

### **1.1 Background of the Study**

Cash is current assets of the organization. It refers to cash on hand and bank deposits. Cash is the most important factor to operate day to day activities of the organization. Effective circulation of blood is required for human body. In the same way effective circulation of cash should be required in the organization. Cash equivalents are short term, highly liquid investment that are readily convertibles into cash which are subject to an insignificant risk of changes in value.

Cash Flows are circulation or change in position of cash. A study of cash flow provides information about the inflows and outflows of cash in an accounting period. A cash flows study is an important task since it is taken as reference in various economics decisions. Investors, need information about the future cash flows, because the value of their investment is the present value of the future cash flows to them. In the same way, the ability of a company to generate cash flow reflects the value of its shares. Thus cash flow allow investors to predict stock prices. Cash Flow play a pivotal role in all of these issues. A cash flows study provides useful information to evaluate a firm's ability to have sufficient cash in both short term and long term basis. It is the analysis of events and transactions that affects the cash position of the organization.

Cash Flows studies are done through statement of cash flow. Cash flows studies help to evaluate financial policies and cash position. It assesses a organization's ability to generate position future cash flows. It assists in evaluating organization's ability to meet its obligation, its ability to pay dividend and its need for external financing. Through past trends of cash flow, one can analyze, evaluate and predict future cash flows data. Cash flow as a measure of firm's performance is less subject to distortion than the net profit figure. Because the calculation of cash flows from operations removes the causes of the distortion such as depreciation methods, deferred taxes, and

goodwill amortization, where as the determination of net profit under accuracy accounting requires approximations, deferrals, allocations and to manipulate their company's profits. That is, they can choose as accounting method, from among various methods of calculating depreciation and valuing inventories to produce high or low profit as they want. As a result, analysis usually consider cash flows to evaluate firm's performance in addition to the profit.

Most researchers have attempted to investigate the predictive ability of cash flows. However, previous research findings have shown controversial results. Most research has focused narrowly on operating cash flow, earnings and accrual components of earnings. Those previous studies have ignored the potential of other cash flow variables, particularly cash flow ratios. A cash flow ratio is a tool for analyzes a firm's performance. Cash flow ratios are calculated by using data from both the cash flow statement prepared on a cash basis and the income statement and balance sheet prepared on the accrual basis. Hence, this study focuses on cash flow and cash flow ratios. Besides this, thesis provides an overview of Nepal Television Corporation. It also includes generalize knowledge of Nepal Television history and similar operational functions.

## **1.2 A Brief Overview of Nepal Television Corporation**

Nepal Television was established in January 1985 with the slogan "Communications for Development." The television broadcasting in Nepal is completing its 26 years with Nepal Television's growth in fulfilling its social responsibility. NTV era is also a benchmark of professionalism in areas of information, education, health and entertainment. In the past two and half decades, Nepal Television is accessible in the mountainous, hilly and Terai belts of the country.

In this period and in the changing political context, Nepal Television is committed to promoting pluralism and protecting the typical Nepali cultures and strengthening the national unity. The second channel (NTV Plus) of Nepal Television is especially popular among the youth. Nepal Television has earned the reputation in the production of documentaries on areas of historical and cultural importance.

The transmission of NTV has expanded widely in the past twenty five years. Accepting the changes in medias cape, NTV is fulfilling its social responsibility with a sense of excellence and professionalism. NTV has been producing and broadcasting news, documentaries, teleflims, comedy shows, interviews and other productions and entertainment programs by incorporating politics, economy, health, culture, ecology, sports, human rights and other issues of social life in them. Founded and facilitated by the state, Nepal Television as a public broadcasting house is bridging the Nepali dialects and Diaspora for which is remains the leader in broadcast area.

At present NTV is broadcasting Two channel using Thai-com Satellite's Regional beam it covers almost 50 countries. Beside satellite coverage it has almost 70% population coverage for NTV and almost 50% population coverage for NTV Plus terrestrially also. Being government owned media and established to fulfill the slogan "Communication for development" it has responsibility to broadcast free to air signal so that people within the country can watch its signal by simple antenna. NTV has its own earth station in NTV premises Singh durbar, Kathmandu.

The detailed list of the transmitting stations is presented below:

**Table 1.1**

Nepal Television & NTV Plus Network Transmitting Station by District

<b>District</b>	<b>Station/Sub-station</b>
1. Illam	Murtidanda
2. Dhankuta	Namje
3. Mahottari	Jaleswor
4. Lalitpur	Pulchoki
5. Kathmandu	Singh Durbar
6. Nuwakot	Kakani
7. Gorkha	Upalokot
8. Kaski	Sarangkot
9. Palpa	Baganasa Dada
10. Nawalparasi	Daunne
11. Dang	Chaupatta
12. Surkhet	Chamere
13. Jumla	Khalanga
14. Banke	Kohalpur
15. Kailali	Budhitola
16. Terhathum	Ghurbise
17. Rolpa	Ghuphalekh Dada
18. Hetauda	Lamsure

### **1.3 Focus of the Study**

This research has focused to examine cash flow of Nepal Television. It focuses on the investment and financing decision of the organization and particular, the cash flow in short run business operation of the organization. The investigation covers following interrelated aspects. 1. To find the sources to generate sufficient cash flow to meet its cash flow needs. 2. Existing status, liquidity and cash position of the organization. 3. To solve the problems of the organization to maintain better cash flow management and also concerned to analyze the policies regarding investment & financing activities.

### **1.4 Statement of the Problem**

Cash is a life blood for every organization which spreads every part of the activities within the organization. So, cash management in productive manner is given high priority by every organization. To manage the cash in effective way, there need effective controlling mechanism which provides different information to take decision for the management of cash. Analyzing cash flows can help a manager identify future financial problems. Cash flows allow the organization to know its cash position and to make the necessary expenditures for such items as debt repayment, acquisitions and payment of expenses. Hence, this research is trying to verify the needful of cash flows, which can be summarized as follows :

- What are the source of NTV to generate sufficient cash flow ?
- Does NTV generate sufficient cash flow to meet its cash flow needs ?
- What are the policies regarding investment and financing activities ?
- What is the effect "adjusted figure" in total cash flow ?
- Can past earning helps to predict future cash flow of Nepal Television ?

### **1.5 Objectives of the Study**

The present study has been conducted to examine cash flow of public service corporation of Nepal, based on the case study of Nepal Television Corporation. It focuses on the investment and financing decision of the organization and particular, the cash flow in short run business operation of the firms, i.e. management of the



individual current assets like; cash and bank balance, receivable and inventory in the short-run.

The specific objectives of the study are as follows.

- To see the position of cash flow of Nepal Television Corporation.
- To see the sufficiency of cash flow to meet its basic cash need.
- To analyze the efficiency of generating cash flow.
- To check investing and financing activities of NTV to control cash flow.

### **1.6 Significance of the study**

Every activities performed by organization directly and indirectly relates with cash in short run or long run. so, Analysis of cash flow is a vital part of the organization. Poor systems of cash flow adversely affect planning cash management of the organization. Periodical analysis and review of cash flow is necessary in order to ensure smooth functioning of the organization. Cash flow are the key to productive financial planning. The cash flow study is considered as the integrated approach to management science. This Study is significant for the following purpose.

- Useful to the concern person like management, policy maker and shareholders.
- Beneficial to other related organization.
- Helps to other new researchers.
- Library assets for common use.

### **1.7 Limitations of the study**

There were some possible limitations of this research. These limitations may affect the generalize and validity of this research. The limitations were as follows :

- The study covers the data only last five years from FY 2062/063 to FY 2066/067.

- This research rouses solely on NTV. Therefore, the results of this research cannot be generalized to all public corporation.
- The study will based on some primary data and more on secondary data. So the accuracy of the study depends on the accuracy of the data available.
- The figure after the decimal will kept as per requirement.
- There will always a restraint of time and resource in the study.

## **1.8 Organization of the study**

The overall study has been organized into five chapters as follows:

### **Chapter One: Introduction**

It includes background of the study, focus of the study, statement of the problem, objectives of the study, significance of the study, limitations of the study and organization of the study itself.

### **Chapter Two: Review of Literature**

This chapter concerns about the concept of cash flow and review of related thesis or articles to highlight the related terms and to present the available information about previous related studies. Especially it includes conceptual review and review of major studies.

### **Chapter Three: Research Methodology**

This chapter includes research design, population and sample, nature and sources of data, data analysis tools, data processing procedure and limitations of the study.

### **Chapter Four: Data Presentation and Analysis**

Various data are gathered from the application of different methods and presented and tabulated as required by the research objectives. Data are interpreted and analyzed with the help of various analytical tools and technique. It also includes major finding of the study.

### **Chapter Five: Summary, Conclusion and Recommendations**

This chapter includes summary and conclusion of the study. It also includes recommendation on the basis of the study.

## **CHAPTER - II**

### **CONCEPTUAL FRAMEWORK AND REVIEW OF LITERATURE**

This chapter is basically concerned with the review of literature relevance to the cash flow statement. It covers the theories and previous study on the topic done by academicians and researchers within and outside the nations. The main objectives of this chapter is to analyze the research work and clarify the study on a rational basis. But only limited numbers of studies have been conducted in the field of cash flow statement.

The chapter has been divided into two sections and organized as follows.

- ) Conceptual Framework
- ) Review of Related studies

#### **2.1 Conceptual Review**

Funds can be categorized in two types; either in the form of working capital or in cash. If the fund is considered as working capital then we have to prepare funds flow statement and if the fund is taken as cash then we have to prepare cash flow statement. Cash flow statement is the main body for the cash flow analysis. Fair analysis of the cash only be done with the cash flow statement. Funds flow statement describes the sources of funds, amount of funds and use of funds. Cash flow statement is designed to convert the accruals basis of accounting used to prepare the income statement and balance sheet back to a cash basis.

Cash is the most important part of any business organization without which business cannot be operated. Cash is a ready money in the bank or in the business. It is not inventory, it is not accounts receivable and it is not property but they can be converted to cash at same point in time. A business must have an adequate amount of cash to operate. Therefore, analysis of liquidity position is an important aspect of business

organization. Cash flow statement is the reconciliation of opening and closing of cash. It is a statement of company's ability to generate cash from various activities such as operating, investing and financing.

A cash flows study provides useful information to evaluate a firm's ability to have sufficient cash in both short term and long-term basis. It is the analysis of events and transactions that affects the cash position of company. Cash flows analysis is done through statement of cash flows. Cash flows analysis helps to evaluate financial policies and cash positions. It assesses a company's ability to generate positive future cash flows. It helps in evaluating firm's ability to meet its obligation, its ability to pay dividends and its need for external financing. Through past trends of cash flows, one can analysis, evaluate and predict future cash flows, which is the ultimate goal of the study. (Bajracharya, etal ; 2005:954)

Cash flows from operations are used to calculate free cash flows. Free cash flows are money earned from operations after provision for capital expenditures at the end of an accounting period. It is basically defined as net cash flows from operating activities less capital expenditures and dividends on preferred stock. It shows the ability of the company to generate cash from its operations after spending money on the capital expenditures. Without free cash flows, it is difficult for a business to pursue new opportunities, acquire other business or pay dividends. Free cash flows analysis helps manager identify the capital available for reinvestment in enhancing the company's growth. In turn, analyzing free cash flows can separate the firm's with a high ability to internally grow from firm's with a low ability to grow. In addition to reinvestment, the company can distribute free cash flows to pay dividend to shareholders. As a result, the free cash flows may be considered to assess the ability if companies to pay dividends to common stock.

The importance of cash flows prediction is supported by statement of accounting standards. Both Institute of Chartered Accountants of Nepal (ICAN) and the International Accounting Standard Committee (IASC) provided a fundamental

guideline for preparing and presenting financial statements, that the objective of reporting financial statements is to provide financial information for users to predict the amount, timing and uncertainty of the future cash flows of a company. The primary objective of accounting data is to provide information to help present and potential investors, creditors and others assess the amounts, timing and uncertainty of prospective net cash inflows to the related enterprise. The statements suggest that accounting information from financial statements is useful in analyzing cash flows of a company. Here income statements and balance sheets report information are an accrual basis and cash flow statements are as a cash basis. (Bajracharya, etal ; 2005:911)

## **2.2 Concept of Accrual Accounting**

Accrual basis of accounting is an accounting system which recognizes revenues and expenses as they are earned or incurred, not as cash received or paid respectively. The accrual basis of accounting is one of the consequences of the concept of periodicity. This method is concerned with the economic consequences of transactions. Under this method, purchase and sales must be accounted for on the accrual basis. Therefore, net income for an accounting period does not necessarily reflects cash receipts and cash payments for that accounting period. Revenue from sales must be accounted for in the year in which goods are sold, regardless of when cash is received. In other word, this method recognizes revenue as earned at the point of sale or with the performance of service. Likewise, the cost of goods purchased must be accounted for in the year in which liabilities are incurred, regardless of when the payment is made. In effect, the earning of a revenue and the expenses incurred in this revenue can be accurately related to specific time periods, but the receipts and payments may not be relating to the period under consideration. This method, in effect, requires proper appointment of expenses to time periods by the inclusion of prepayments and accruals in balance sheet. An adjustment is also made for the opening and closing stocks in order to determine the cost of goods sold and the gross profit. In short, so far as possible, expenses are matched against the revenues for the generation of which they have incurred. (Mukherjee & Hanif ; 2004: 15.2)

### **2.2.1 Usefulness of Accrual Accounting**

In practice, accounting financial information on an accrual basis is supported for many reasons. First, it is considered relevant in measuring a firm's performance. I e, a manager needs data on past transactions in order to evaluate past operating performance. Accounting information from past transactions can be used as a measure of the past performance. Secondly, the cost of assets recorded based on historical cost is derived from actual transactions, not estimated. Thirdly, the concept of matching expenses and revenue reflects the use of assets in generating revenue. This can measure the efficiency of utilizing the assets of the company. Fourthly, it reports assets or future benefits and liabilities or obligations of a company allowing the company to estimate future cash receipts and payments. In addition, reporting financial statements on an accrual basis meets taxation requirements.

### **2.2.2 Drawbacks of Accrual Accounting**

This method may not reflect the actual inflow and outflow of cash resources. Since, it is possible to adopt a variety of principles and procedures for financial events, and two or more contradictory methods can be used in treating a given event, it may yield conflicting results. This method is not simple since estimates and judgments are required.

### **2.3 Concept of Cash Flow Accounting**

Cash flow accounting is a method of accounting in which transactions are recorded in the books of account when cash is actually received or paid out and not when transactions take place. Therefore, it is the recording of cash and bank transactions without taking accounts of fixed assets, debtors, creditors, inventories, accruals and the like. It recognizes only transactions only involving actual cash receipts and disbursements occurring in a given accounting period. No attempt is made record prepayments of accruals, that is, amounts owed to or by the business unit. Cash basis of accounting cannot be used as an accounting model that attempts to produce a Profit or Loss Accounts and Balance Sheet. Thus, net profit under this method represents simply the difference between cash receipts and cash payments.

Cash basis of accounting is widely used by professionals and other service enterprises in determining net income. Under this method, an income is not considered to be earned until payment is received. Likewise, it is not necessary to accrue expenses incurred but not paid within the accounting period. Inventories are recorded as a reduction in profit when they are paid for rather than when they are sold. But it is not desirable to treat the entire cost of long-lived assets as an expense of the accounting period in which the cash payments are made. Under a modified cash basis of accounting, fixed assets are capitalized and the purchase of fixed asset is recorded as an asset. It is necessary to spread its cost over the periods in which it works and must, therefore, be deducted from incomes as an expense in each of this periods.

Cash flow were represented by profit and deprecation suggested that cash flows accounting might be helpful to investor decision making. Cash flows accounting can avoid uncertain accounting allocations presents in the accrual system, produce more objective financial information and provide users with fundamental and critical financial data because cash flows accounting does not involves allocation and matching problems. Payments and receipts are recorded when the transaction of receipts or payments are made. Recording of accounting transactions is simpler because fewer estimates and judgments are required. Reliability of accounting information is increased because transactions are recorded only when all phases of transactions are complete. As a result, it is expected that cash flows are less vulnerable to manipulation than accrual information. For similar reasons, cash flows are seen as the superior instruments for predictive purposes, particularly for predicting future cash flows. (Mukherjee & Hanif ; 2004: 15.1)

### **2.3.1 Meaning & Definition of Cash Flow Statement**

Cash flows statement describes the sources and uses of cash of an organization. It provides information about the inflow and outflow of cash of a firm in an accounting period. It can thus be defined as a statement which explains the change in cash position from one Balance Sheet date to the next Balance Sheet date.

The Institute of Cost and Work Accountants of India defines cash flow statement as “ a statement setting out the flow of cash under distinct heads of sources of funds and their utilization to determine the requirements of cash during the given period and to prepare for its adequate provision.” (Dangol ; 2061:654)

The statement which reports cash flows during the period classified by operating, investing and financing activities is known as cash statement. Cash flows are inflows and outflows of cash and cash equivalents. It is the accounting reports that provides information about cash receipts, cash payments and net change in cash balances. Previously, companies were required to present a fund flow statement that reported sources and uses of funds. Funds can be defined in three ways, including cash, working capital and total resources (Henderson & Pearson, 1994;41). Funds presented on fund statements are interpreted as working capital, which is measured as current assets less current liabilities, whereas fund reported on cash flow statements refer to cash.

According to Nepal Accounting Standard issued by Accounting Standard Board "Cash comprises cash on hand and demand deposits. Cash equivalents are short -term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value". Thus cash equivalents are short term, highly liquid investment, such as money market funds, commercial papers and treasury bills. As per NAS “ the cash flow statement is the part of the complete set of financial statements including Balance – Sheet, Income Statement and accounting policies and extra ordinary notes.” As before issuing NAS, the preparation of cash flow statement in the mandatory along with Balance – Sheet and Income Statement as per the Nepal Company Act 2053 BS.

### **2.3.2 Purposes of Cash Flow Statement**

Cash flow statement is an important complement to other major financial statements. Cash flow statement summaries the operating, investing and financing activities of a business organization, reports the changes in cash over a period of time and explains the causes of changes. Enterprises needs cash to conduct their operation, to pay their obligation and to provide return to their investors, uses of an enterprises financial



statements are interested in how the enterprises generated and use cash and cash equivalents.

Cash flows statement is important to provide information about inflows and outflows of cash and cash equivalents. It provides useful information to; (Pandey & etal ; 2005:494)

- Assess a company's ability to generate positive future cash flows.
- Assess a company's ability to meet its obligation, its ability to pay dividends and its need for external financing.
- Assess the reason for differences between income and associated cash receipts and payments.
- Assess both the cash and non cash aspects of a company's investments and financial transaction.
- Assess a company's quality of earning. The quality of earning refers to how closely income is correlated with cash flows. Higher the correlation the higher the earning quality.
- Assess a company's solvency, liquidity and financial flexibility. Solvency is the ability of a company to pay its debt as they mature. Liquidity is the ability to generate adequate amount of cash and also refers to assets and liabilities nearness to cash. Financial flexibility refers to adapt during a period of financial adversity to obtain financing to liquidate non operating assets for cash.

### **2.3.3 Objectives of Cash Flow Statement**

The cash flow statement of an organization is useful in providing information to the users of financial statements about the ability of an enterprises to generate cash and cash equivalents and the need of the enterprises to utilize those cash flows.

Its' aims and objectives are mentioned below;

- Cash flow statement will help the financial manager to explain the situation of sufficient cash balance in hand despite the business incurred loss or short of cash balance even if the business is making huge amount of profit.
- Comparison between cash budget and cash flow statement may prove to be useful for the management for preparing cash budget for the periods.
- With the help of cash flow statement the management can find out the causes of changes in the cash position on two dates.
- Evaluation of financial policies can be done with the help of cash flow statement.
- As the cash flow statement helps the management to know the predict its cash position, it can plan it's policy and make decision regarding the redemption of debentures, purchase of fixed assets and so on.

### **2.3.4 Preparation of Cash Flow Statement**

Cash flows on the cash flow statement must be identified with three main activities of enterprises as required by NAS No. 03;10 these are,

- Cash flow from Operating activities
- Cash flow from Investing activities
- Cash flow from Financing activities.

The basis for the classification is derived from finance theory, that is, enterprises derive the cash used for investing activities and settlement of outstanding financial obligation in an accounting period from internal and external sources. Therefore, the three main activities involve in cash flows.

#### **2.3.4.1 Cash Flow From Operating Activities**

Operating activities are the main activities involved in the revenue producing activities of the company. Cash flows from operations are often seen as the most important category among the three categories because it results from the main income producing activity. Cash generated from the operating activity provides as indication of the capacity of the company to produce cash from its' main activity. The

company must generate sufficient cash from its' operating activities to finance its daily activities. Moreover, cash flows from operations primarily support capital expenditures and dividends. If the company cannot generate any cash to repay loans, pay dividend or make new investment; the company would need cash from external sources, causing future cash outflows. Cash available for investments and external financing shows the firm's ability to make new investments and external financing shows the firm's ability to make new investment. It also indicates to investors the dividend paying ability of the firm.

In addition, the cash flows from operations can be used to evaluate the quality of profits on income statements. The difference between net cash flows from operations and net profit is helpful in interpreting the quality of earnings. A large difference between net profit and cash flows from operations reflects a low quality of profits. Perhaps, net income has increased without an increase in cash flows from operations. This may result from increase in sales on credit, causing increases in account receivable, indicating that the company may have a cash collection problem in the future.

The profit and loss account shows the operating result of a business that is profit and loss. But this result is based on accrual basis. The cash and non-cash items are involved in the ascertainment of profit or loss. Hence, it is necessary to adjust non-cash items for determination of cash flows from operating activities. While adjusting non-cash items, the attentions must also be paid towards changes in merchandise, debtors and creditors. The cash flows from operating activities includes; (Dangol ; 2065:409)

- Cash received from customers.
- Cash received from interest and dividend.
- Cash payment for purchase of merchandise.
- Cash payment for expenses.

#### **2.3.4.2 Cash Flow From Investing Activities**

Investing activities involves the acquisition and disposal of long term assets and other investment except short term investments. All the cash flows investing activities can be determined by the long term assets and investment of two accounting periods. Any increase in assets shall be considered as having purchased and cash paid for it unless any information contrary to the same is provided. At the same time, decrease in assets accounts the sales of those assets and cash inflows unless information opposing to that is provided. The gain or loss on sale need to be adjusted to calculate the exact amount cash received.

Cash flow from investing activities includes; (Dangol ; 2065:418)

- Cash receipts from sale of property, plant and equipments.
- Cash receipt from sale of equity and debenture of other enterprises.
- Cash receipt from the repayment of advance and loan made to other parties.
- Cash payment to acquire property, plant and equipments.
- Cash payment to purchase of equity and debenture of other enterprises.
- Cash advances and loan made to other parties.

#### **2.3.4.3 Cash Flow From Financing Activities**

Financing activities are activities that results in change in the size and composition of the equity capital and borrowings of the enterprises (IASC 2000). Cash flows from financing activities are calculated by analyzing the liabilities side of the balance sheet. The amounts of secured loans, unsecured loans, the amount of share capital and retained earnings accounts are analyzed to calculate the inflows and outflows from financing activities. The increase in these amount can be taken as inflows and decrease in these amounts can be taken as outflows. Besides capital and loan amounts, another financing activity is dividend paid of drawings by the owners. Dividends do not deal with cash, only cash dividend should be considered for cash flow statement.

Cash Flow from financing activities includes; (Dangol ; 2065:419)

- Cash proceeds from issuing shares, debentures, loans, notes, bonds and mortgages and other short or long term borrowing.
- Cash payment to redeem the shares, repayment of borrowed and for the reduction of outstanding liability related to finance lease.

- Cash payment for dividend.

## 2.3.5 Types of Cash Flow Statement

Flows from operating activities can be reported by two methods, the direct or indirect methods.

### 2.3.5.1 Direct Method

The direct method shows cash receipts and cash payment to suppliers, employees, government and other creditors. Under this method, cash flow statement is prepared by taking sales revenue. It shows cash collected from customer and deducted cash used for various expenses. Here major class of gross cash receipt and gross cash payment are disclosed. While deriving cash from operating activities, expenses related to purchase operating activities, interest, tax etc. are deducted from sales revenue and collection from customers, the derivation of cash from investing and financing activities are similar to the indirect method.

Table 2.1

#### Cash Flow format under Direct Approach

Particulars	Amount
Cash Inflows	
A: Sales	xxx
Add: Decrease in sundry debtors	xxx
Decrease in bills receivable	xxx
Increase in Provision for bad debts	xxx
Increase in Provision for discounts	xxx
Bad Debts recovered	<u>xxx</u>
Less: Increase in Sundry Debtors	xxx
Increase in Bills receivable	xxx
Bad Debts	xxx
Discount allowed	xxx
Decrease in provision for bad debts	xxx
Decrease in provision for discounts	<u>xxx</u>
(A) Collection From Customers	<u>xxx</u>
B: Interest Income	
Add: Decrease in accrued interest	xxx
Less: Increase in accrued interest	<u>xxx</u>
(B) Collection From Interest Income	<u>xxx</u>
C: Dividend Income	

Add: Decrease in Dividend Receivable	XXX
Less: Increase in Dividend Receivable	<u>XXX</u>
(C) Collection from Dividend Income	<u>XXX</u>
D: Cost of goods Sold	
Add: Increase in Inventory	XXX
Decrease in Sundry Creditors	XXX
Decrease in Bills Payable	<u>XXX</u>
Less: Decrease in Inventory	XXX
Increase in Sundry Creditors	XXX
Increase in Bills Payable	XXX
Increase in Discount received	<u>XXX</u>
(D) Payment to Suppliers	<u>XXX</u>
E: Salary and Wages Expenses	
Add: Decrease in salary & wages payable	XXX
Increase in prepaid salary & wages	XXX
Less: Increase in salary and wages payable	XXX
Decrease in prepaid salary & wages	<u>XXX</u>
(E) Payment to Employees	<u>XXX</u>
F: Income Tax Expenses	
Add: Decrease in Taxes Payable	XXX
Increase in Advance Tax	XXX
Less: Increase in Taxes Payable	XXX
Decrease in Advance Tax	<u>XXX</u>
(F) Payment of Government for Taxes	<u>XXX</u>
G: Interest Expenses	
Add: Decrease in Interest payable	XXX
Less: Increase in Interest payable	<u>XXX</u>
(G) Payment to creditors for Interest	<u>XXX</u>
H: Insurance Expenses	
Add: Decrease in Insurance payable	XXX
Increase in advance insurance	XXX
Less: Increase in Insurance payable	XXX
Decrease in Advance insurance	<u>XXX</u>
(H) Payment for Warranty Service	<u>XXX</u>
I: Other Expenses	
Add: Decrease in Expenses Payable	XXX
Increase in Advance payable	XXX
Less: Increase in Expenses of Payable	XXX
Decrease in Expenses payable	<u>XXX</u>
(I) Payment for Expenses	<u>XXX</u>
Cash from Operating before extra ordinary Items	<u>XXX</u>
(A+B+C-D-F-G-H-I)	
Add: Increase in Bank overdraft	XXX
Increase in Short term loan	XXX
Less: Decrease in Bank overdraft	XXX
Decrease in Short term loan	<u>XXX</u>

Net Cash From Operating Activities(C1)	<b><u>xxx</u></b>
C2: Cash From Investing Activities	
Cash Inflows:	
Sales of Fixed Assets	xxx
Cash from sale of Equity, debt of other enterprises	xxx
Cash from the repayment of advance & loan made to other parties	xxx
Less:	
Cash payment to acquire property	xxx
Cash payment to acquire equity of debt of other companies	xxx
Cash payment for advances and loan made to other parties	<u>xxx</u>
Net Cash From Investing Activities(C2)	<b><u>xxx</u></b>
C3: Cash Flow From Financing Activities:	
Issue of Shares	xxx
Issue of Debentures and Bonds	xxx
Cash collection from Loan and Mortgage	xxx
Less:	
Redemptions of shares	xxx
Redemptions of Debenture and Bonds	xxx
Repayment of loan and Mortgage	xxx
Dividend payment	<u>xxx</u>
Net Cash flow from Financing Activities(C3)	<b><u>xxx</u></b>
Total Cash Flows (C1+C2+C3)	<b><u>xxx</u></b>
Add: Cash or Cash Equivalent at the Beginning	<u>xxx</u>
<b>Cash or Cash Equivalent at the End of the Period</b>	<b><u>xxx</u></b>

*(Source: Dangol, 2065: 420)*

Nowadays the cash flow statements is accepted as a necessary components of complete financial reporting by national and international accounting standards because financial statement uses note that the Balance Sheet, Income Statement and retained earnings statement do not always shows the whole financial condition of a company. The Balance sheet Shows the financial at the end of the period but the source of activity related to those items during the period.

### **2.3.5.2 Indirect Method**

In indirect method start with net profit or loss based on the accrual basis and adjusts for the effect of non cash transaction such as depreciation and abortions expenses and changes in current assets and liabilities. The indirect method is preferred over the direct method. The indirect method reflects conversion from accrual basis profit to cash basis profit. In other words it shows the association between the cash flow

statement and two financial statements based on accrual basis that is cash flow from operations related revenues and expenses on income statement and current assets and liabilities on Balance sheet. Therefore a reasons for supporting the indirect method is that it is more informative then the direct method because it emphasizes the difference between net income and operating cash flow which can reduce the ability of management to manipulate the income statement numbers.

Table 2.2

**Cash Flow format under Indirect Approach**

<b>Particulars</b>	<b>Amount</b>
Net Profit for the period	<b>Xxx</b>
Add: Non Cash & non Operating Expenses and Losses (Itemwise)	xxx
Less: Non Cash & non Operating Income and Gain (Itemwise)	<u>(xxx)</u>
Funds From Operation	<b>xxx</b>
Add: Decrease in Current Assets other than Cash (Itemwise)	xxx
Less: Increase in Current Assets other than Cash (Itemwise)	<u>(xxx)</u>
Decrease in Current Liabilities (Itemwise)	<u>(xxx)</u>
(C1) Cash From Operating Activities	<b><u>xxx</u></b>
C2: Cash From Investing Activities	
<u>Cash Inflows</u>	
Sales of Fixed Assets	xxx
Cash From the sale of equity of debt of other enterprises	xxx
Cash From the repayment of advance & loan made to other parties	<u>xxx</u>
	<b>xxx</b>
Less: Cash payment to acquire property	<u>(xxx)</u>
Cash payment to acquire equity or debt of other companies	<u>(xxx)</u>
Cash payment for advance and loans made to other parties	<u>(xxx)</u>
(C2) Net Cash From Investing Activities	<b><u>xxx</u></b>
C3: Cash From Financing Activities	
Issue of Shares	xxx
Issue of Debenture and Bonds	xxx
Cash Collection from Loan and Mortgage	<u>xxx</u>
	<b>xxx</b>
Less: Redemptions of Shares	<u>(xxx)</u>
Redemptions of Debenture and Bonds	<u>(xxx)</u>
Repayment of Loan and Mortgage	<u>(xxx)</u>
Dividend Payment	<u>(xxx)</u>
(C3) Net Cash Flow From Financing Activities	<b><u>xxx</u></b>
Total Cash Flows (C1+C2+C3)	<b>xxx</b>



Add: Cash or Cash Equivalent at the beginning	xxx
<b>Cash or Cash Equivalent at the end of the period</b>	<b><u>xxx</u></b>

(Source: Dangol, 2065: 439)

## 2.4 Review of Previous Studies

### 2.4.1 Journal and article:

**Munakarmi S.P.(2004)**, has written article, on title "*Cash Flow Statement : A tool of Cash Flow Analysis*", and has studied the cash flow analysis. It is an integral part of financial planning stated the importance of cash in organization by calling it is the life blood of business enterprises. According to him it is the fuel that keeps a business a line so a business must have adequate amount of cash to operate and decision makers should pay attention to the firm's cash position, events and transaction that affect the position of cash. Analysis of events and transaction that affect the cash position of the company's is termed cash flow analysis.

Due to the increasing importance of cash flow analysis FASB stated that financial statements should include information about how a business obtains and spends cash about its borrowing and payment activities about the sales and repurchase of its ownership securities about dividend payments and other distribution its owners and about other factors that affect a company's liquidity and solvency.

According to the article, profit are accounting measure that may not reflect the economic realities of the firm that means profit can be manipulated and increasing profits will not always result in higher stock prices. Cash flow analysis not only recognizes profit but it also goes a little further and measures the actual cash available for the firm. It is after all the available cash not the profit that determines the firm's future investment and growth.

As the article stated further recognizing the importance of the cash flow analysis FASB issued financial statement standards number 95 and statements of cash flows in November 1987. This standard requires business to include a statement of cash flows

in all financial reports that contains Balance Sheet and Income Statements. The IAS has also replaces FES and asked its entire member to present cash flow statement along with the balance sheet and income statement since 1992.

As the article suggest following are the importance of cash flow statement.

- Cash flow is important to have information about a company's ability to meet its obligation, its ability to pay dividends and its need for external financing.
- A company's ability to generate positive future cash flows.
- The reasons for differences between income and associated cash receipts and payments.
- Both the cash and non cash aspects of a company's investment and financial transactions.
- A company's quality of earning refers to how closely income is correlated with cash flow the higher the correlation higher the earning quality.
- A company's solvency, liquidity and financial flexibility, solvency is the ability of a company to pay its debt as they mature.

#### **2.4.2 Review of Thesis**

**Bhandari, Suman (2006)** conducted on research entitled in "*A Study of Cash Flow Analysis in Nepalese Public Enterprises (A Case Study of Salt Trading Corporation Limited)*". He has collected the data from secondary sources that are published by Salt Trading Corporation Limited for the period from 2056/057 to 2061/062. He has set the following objectives.

- To analyze cash flow statement of Salt Trading Corporation.
- To analyze functional budget associated with cash flows.
- To reflect ability to generate cash flow in future periods.
- To find out the ability to meet its obligation.
- To provide suggestion and recommendation for effective cash management.

He has pointed the following major findings:

- The company is not adopting the definite inventory policy because the levels of inventory were fluctuated.
- The company has ability to pay short term obligation which shows the financial strength of company.

- The debt serving capacity is satisfactory as indicated by average interest coverage ratio is 1.43 times.
- The long term solvency position of company is not satisfactory as it has used more debt as compare to equity.
- The average collection period is 26 days which shows the slow collection from debtors.
- The cash flow from operating activities was not adequate to meet the short - term and long - term obligations. The trend of cash flow from operating activities was fluctuated.
- The company has raised funds through loan and overdraft. It has not issued share except in the fiscal year of the study period which was also of very small portion. Due to such loan, the company paid more interest.
- No optimum cash and bank balance were maintained. The bank and cash balance were fluctuated than indicated no definite policy was maintained regarding the amount of cash hold at the end of each year.
- The cash flow per share was found highly fluctuated which shows the poor ability to pay dividend and current liabilities.
- The company has not adequate cash and bank balance to meet it's short - term and long - term debts.

**Pandey, Suresh (2008)** conducted on research entitled in "*A Study of Cash Management to Dairy Development Corporation (DDC)*". He has collected the data from based upon the primary and secondary sources that are published by DDC for the period from FY 2052/053 to FY 2062/63. He has set the following objectives.

- To examine the cash management practice in DDC.
- To examine the liquidity position of the DDC.
- To study the relationship of cash with other influencing variables of cash management.
- To recommend variable suggestion based on analysis to improve the existing cash management for the days to come.

He has pointed the following major findings.

- DDC does not have any definite policy regarding how much cash balance to hold in each period. Cash and bank balance hold during the deferent period of study were observed to be highly fluctuated and thus the fact indicates the definite policy regarding how much of each balance to be hold each period.
- Average cash balance of DDC during the study period was 176.73million. Erratic fluctuations have been observed in cash turnover ratio analysis. The fluctuation of cash turnover ratio is the indication of no definite policy on holding cash balance in relation to sales volume, is applied by DDC. The average cash turnover ratio of DDC is 8.74 times. Where the higher ratio is 14.05 times has been observed in FY 2053/54. Likewise, the lowest ratio of 5.29 times has been observed in FY 2061/62. In FY 2052/53 ,2053/54 and 2054/55 , the cash turnover shows the higher than average and remaining all fiscal year i.e.2055/56 to 2061/62, the cash turnover shows the lower than the average. This shows that cash turnover is not so strength in DDC. The lowest cash conversion period is 26 days in FY 2053/54. It indicates that corporation unable to collect cash from its credit sales timely.
- The figure shows that current ratio in FY 2052/53 is 1.91:1, which is normally less than the satisfactory level; however satisfactory level is 2:1 specially for manufacturing companies. Overall, the average ratio signals a little bit unsatisfactory position of the DDC, which should be little bit above the average ratio to reach near to 2:1. The figure shows 1.91:1 in FY 2052/53 to 1.11:1 in FY 2058/59 indicating high fluctuation. The most favorable current ratio is 1.92:1. In this way the liquidity position of the DDC is in a favorable position. The correlation analysis indicates that corporation has been significantly maintaining its current liabilities. In other words, current assets are being significantly increased with increase in current liabilities and vice versa.
- The standard quick ratio to be maintained by an enterprise is 1:1 and more. By observing figures there is not kept more cash in all fiscal years. But some ratio obtained is satisfactory for fiscal year 2052/53, 2055/56, 2056/57. Since, during these fiscal year the ratio tend to be around the standard ratio i.e. 1:1. However

the ratio obtained are less satisfactory for the fiscal year 2053/54, 2057/58 to 2061/62. of the fiscal year. Overall, the liquidity position is a little bit satisfactory because the average ratio is 0.79:1 which is around the standard level 1:1, some extent favorable for DDC but it is not quite favorable.

- Analysis shows that DDC has been operating in loss in all fiscal year during the research period. Net profit (loss) margin ratio in FY 2057/58 is -7.24%. Similarly, FY2058/59 is seen little better because net profit margin is minimum i.e. -0.01%. In FY 2057/58 there was heavy loss but after that year, loss is decreased continuously except FY 2060/61. Very poor performance has been seen in FY 2053/54, 2057/58 and 2058/59 which are -2.50%, -7.25%, and -4.92% respectively. In overall, DDC has been operating under loss and the average net profitability margin has been calculated -1.
- Analysis shows that DDC has not utilizing its current assets effectively in earning profit. Noticeably, in FY 2057/58 which calls for serious attention. Besides, the overall ratio are also dissatisfying, indicating loss in each fiscal year. Overall, the return on working capital i.e. current assets is disappointing indicating drastic downfall of the corporation. The average return on working capital has been calculated (-6.93%)
- Calculation shows the fluctuation of cash balance and current liabilities ratio occurred from lower 43.44% to 83.77% which indicates the significant cash balance to meet the current obligation. But on the other hand most of the ratios are more than 50% which shows the excess cash and deficit in making payment during the study. It has clearly indicated that DDC has not been following a systematic cash management practices because of high cash balance exceeds current liabilities in FY 2057/58 and 2058/59.
- By observing the quick ratio, it is found that the quick ratio has also been found disastrous. The figure clearly indicates that utilized quick assets have not been earning profit in each of the fiscal year, In all year net profit to quick asset ratio are found negative in which the lowest (0.09%) and highest negative ratio is (38.1%) in FY2054/55 and FY2058/89 respectively. This ratio analysis definitely signifies dismal situation of DDC.

- The fluctuation of inventory turnover ratio from 6.72 times in FY2054/55 to 15.2 in F/Y 2061/62 where, inventory conversion period is minimum in FY 2061/62 and maximum is 54 days in two FY 2054/55 and 2057/58. The ratios lower the conversion period suggests that either the DDC should undergo under-investment or the inventory hold was comparatively lower. And at last overall ratio has been calculated 8.55% and conversion period is 43 days.
- Regarding cash and bank balance and current assets, the lower ratio is 33.75% in FY 2053/54 and highest ratio 60.54% in FY 2061/62. The average ratio of cash and bank balance and current assets is 43.16%. In FY 2052/53,2053/54,2054/55,2057/58 & 2060/61 , the ratio are lower than average and rest are above the average. The above ratio indicates DDC does not follow the basic policy about the cash balance in current assets.
- Analysis shows that poor performance regarding current liabilities of DDC. High CV indicates the poor condition of the firm and lower CV indicates the favorable to meet good policy.

**Chaudhary, Nabraj (2009)** conducted on research entitled in "*A Case Study on Cash Flow Analysis of Bottlers Nepal Limited*". He has collected the data from based upon the secondary sources that are provided from head office of Bottlers Nepal Limited, Balaju, Kathmandu for the period on FY 2003/04 to 2007/08. He has set the following objectives.

- To Provide information about a company's operating, investing and financing activities during the study period.
- To study and evaluate the financial position and liquidity.
- To provide information about the changes in the cash position of the company.
- To provide suggestions and recommendations for effective cash management.

He has pointed the following major findings.

- The company does not have any definite policy regarding how much cash balance to hold in each period. Cash and bank balance held during different period of study were observed to be highly fluctuated and thus the fact indicates the firm to be lacking definite policy regarding how much of cash balance to hold during each period. The average cash balance held by BNL is (Rs 269.42) lakh.
- Cash turnover ratio: As a fact the higher cash turnover ratio of cash indicates the sound liquidity position of company and vice versa. Average cash turnover ratio of BNL is (3.776). However, the cash turnover ratio was found to be highly fluctuated. Correlation coefficient has been observed 0.66 negative. It indicates the negative relationship between cash and sales of BNL. The company has not planned to hold cash specific proportion of sales volume in any year of study.
- The company has not been precisely meeting their current liabilities payment. The proportion of cash to current liabilities of BNL is 0.25 negative. Cash and bank balance held compared to current liabilities indicates that for some year it was high whereas for some other years it was very low. This shows mismanagement of cash by the company.
- BNL has failed to maintain adequate proportion of cash on its current assets. Relationship between cash to current assets of BNL is low positive level in terms of cash to current assets.
- BNL is unable to maintain adequate proportion of cash as its quick assets, i.e. (0.0191026) of BNL in an average.
- BNL seems to be unable to maintain the adequate proportion of cash in total assets, i.e. Average (0.0202) percentage.

- Average collection period is 49.83 days, which showed the slow collection from debtors.
- Liquidity position of BNL is satisfactory, i.e. CR is 1.65 and QR is 0.97 which is able to meet the standard 2:1 and 1:1.
- The company is holding higher level of inventory which is considered to be unproductive and treated as idle assets that earn nothing.
- The cash flow from operating activities is positive and the company is able to meet the short term and long term obligations. The trend of cash flow from operating activities fluctuated and on an average it was Rs 1013.75 Lakh.
- The company had not adequate cash and bank balance to meet its short term and long term debts.

**Puri, Bodh Lal (2009)** conducted on research entitled in "*A Cash Flow Analysis of Nepal Telecom (NTC)*". He has collected the data from based upon the secondary sources that are published by NTC in financial report for the period on FY 2003/04 to 2007/08. He has set the following objectives.

- To analyze the trend of cash flow of NTC.
- To examine, analyze and compare the cash flow of different headings (i.e. operating, investing and financing).
- To identify the strengths and weaknesses of cash management of NTC.
- To reflect ability to generate cash flow in future periods.
- To provide suggestions and recommendations for future improvement on cash flow and cash management.

He has pointed the following major findings.

- Operating profit before adjustment of working capital is in positive growth for every year.



- Rate of operating cash flow of NTC is in increasing except in the F.Y. 2061/62 and its annual increment is Rs 93314.7(in ten thousand).
- NTC is expanding its investment at the rate of Rs 40530 (in ten thousand) per year is a major cause of cash outflow for each year during the study period.
- There is not any sales of investment on F.Y. 2061/62 and 2063/64.
- NTC has made huge repayment of retained earnings to Nepal government on the F.Y. 2062/63 and payment of long term debt on F.Y. 2059/60 are the major cause of cash outflow for these fiscal year.
- There is not any receipt from long term debt on F.Y. 2063/64.
- Regular financing activities of NTC are long term debt receipt/payment, dividend payment, and repayment of retained earnings to Nepal government.
- Annual cash outflow rate from financing activities is Rs 59595.2 (in ten thousand).
- There is cash increase in every year except on F.Y. 2062/63.
- Minimum cash balance was kept on F.Y. 2063/64.
- Average cash inflow during the study period is Rs 99247.2 (in ten thousand).
- There is loss on foreign exchange in the average of Rs 71.2 (in ten thousand).
- Net cash flow is also in fluctuating trend.
- Standard deviation of CFOA is 156328.41 (in ten thousand).
- The average NPBT, CFOA, CFIA and CFFA are Rs 441825.8 (in ten thousand), Rs-186897.8 (in ten thousand) and Rs -155680.8 (in ten thousand) respectively.
- There is positive correlation between CFOA and NPBT.
- There is negative correlation between NPBT and CFFA, NPBT and CFIA.
- There is not scarcity of cash during the period to operate its general activities.
- Over all activities are satisfactory.

**Kandel, Ramnath (2010)** conducted on research entitled in "*Cash Flow Analysis of Salt Trading Corporation Limited (STCL)*". He has collected the data from based upon

the secondary sources that are published by STCL in financial report for the period on FY 2057/058 to 2062/063. He has set the following objectives.

- To analyze the trend of cash flow of STC.
- To examine, analyze and compare the cash flow of different headings (i.e. operating, investing and financing)
- To identify the strength and weakness of cash management of STC.

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

- Rate of operating cash flow of STC is in fluctuating trend. There is no continuous increment.
- STC is expanding its investment at the rate of Rs. 527083.2 (in ten thousand) per year is a major cause of cash outflow for each year during the study period.
- Cash at end for the period is positive for all fiscal year. But the amount is on fluctuating.
- Correlation coefficient between CFOA and CFIA is 0.208 (Positive) represents positive correlation between those variables.
- The Correlation coefficient between CFOA and CFFA is -0.01 is negative.
- Correlation coefficient between CFFA and CFIA is -0.48 which represents negative correlation.

## **2.5 Research Gap**

There is gap between the present research and the previous research in terms of some objectives, tools for analysis, period of data and the organization. The main issue of this study to analyze the cash flow statement of NTV. This study has used financial and statistical tool for cash flow analysis. It is mainly concern with NTV and data is taken in between FY 2062/063 to 2066/067. This study has been done to analyze the future trend of cash flow of NTV, to examine, analyze and compare the cash flows, to identify the strength and weakness of cash management of NTV and to provide recommendations to the concerned organization for future improvement on the basis of this study.

## **CHAPTER - III**

### **RESEARCH METHODOLOGY**

#### **3.1 Meaning of Research Methodology**

A systematic methodology is required to pick out an actual result for any special study. Research means the search for knowledge and methodology refers to the various sequential steps that are adopted in the study. Research methodology is the description, explanation and justification of various methods of conducting research. The study of the methodology facilitates understanding or social scientific inquiry. The method requires that ordering of concepts and propositions, procedures of selecting and analyzing evidence.

#### **3.2 Research Design**

The main objective of the study is to examine historical cash flow statements of the public corporation (NTV) and provide suggestions the basis of findings. The research design was aimed to ensure the research can clearly answer the research problem and involved systematizing the research activity. The research is carried out as the basis of secondary sources data in which data already exists is the most appropriate for this research. Descriptive and analytical research design is used in this study and an effective research techniques are employed to especially identify the weakness of these corporation.

#### **3.3 Population and Sample**

There are 38 public corporations in Nepal. They are related with different sectors like manufacturing & processing, social service, banking, and others. It is not possible to study all of them regarding research topic. Therefore among them a reputed public service corporation i.e. NTV (Government owned media) is taken as a sample from population for this research study.

### **3.4 Sources of Data**

The study is mainly based on the secondary data collected from the different published sources. The audited Balance Sheet, Profit & loss account and related schedule of the concerned organization. Besides these, other essential data and information were collected from some published and unpublished documents. In addition, answers on certain queries made to the staffs of concerned organization also assist in data collection procedure. The research has also consulted the library to gather necessary data and information during the course of study.

### **3.5 Data Collection Technique**

Secondary data are mainly obtained from annual financial report of NTV, journals (Telepatrika), thesis of previous researchers and articles. Different websites have been used (<http://www.ntv.org.np>, [www.google.com](http://www.google.com) ).

### **3.6 Data Analysis Tools**

The data analysis is made on the basis of various financial and statistical tools to achieve the research objectives. The researcher has used the following tool and techniques.

#### **3.6.1 Statistical Tools**

Statistical tool is very useful tool to analyze the available data to find the relation between these data and to predict about the trend and hidden fact in the relation. So, different related tools such as percentage, average, least square method, correlation analysis and regression analysis from the statistical tool are utilized in terms research objectives. They are:

##### **a. The Least Square Method**

A widely and most commonly used method to describe the trend is the method of least square. Under this method a trend line is fitted to the data satisfying the following two conditions.

Let, the trend line between the dependent variable Y and independent variable X be presented by

$$Y = a + bX \dots\dots\dots (i)$$

Then for any given of independent variable X, the estimate of Y denote by  $Y_c = a + bx$

Where,

$a = y$  intercept or value of  $y$  when  $x = 0$

$b =$  slope of the trend line or amount of change that comes in  $y$  for unit change in  $x$ .

To determine the straight line trend it is required to determine the values of  $a$  and  $b$ .

To find the value of  $a$  and  $b$ , solving the following two equations.

$$y = na + b \sum x \dots\dots\dots(ii)$$

$$\text{and } \sum xy = a \sum x + b \sum x^2 \dots\dots\dots(iii)$$

The equation (ii) is obtained by taking sum on both sides of equation (i) the equation and (iii) equation is obtained (i) and (ii) equation are substituted in equation of make calculation easier the deviation of the independent variable are taken from the middle of the time period so that  $\sum x = 0$

Then the above two equations changes to:

$$y = na$$

$$a = \frac{\sum y}{n}$$

and,

$$\sum xy = b \sum x^2$$

$$b = \frac{\sum xy}{\sum x^2}$$

**b. Karl Person's Coefficient of Correlation (r)**

Correlation analysis refers to the statistical technique, which measures the degree of relationship of association between the variables. TO put it differently, it helps in analyzing the co variation of two or more variables. It is to be noted that a high degree of correlation between two variables doesn't always necessary imply that changes in one variation cause changes in the other. Out of several methods of calculating

correlation, Karl Pearson's coefficient of correlation (r) measure the degree of association between the two variables suppose x and y given by

$$\text{Correlation Coefficient (r)} = \frac{n \sum XY - \sum X \cdot \sum Y}{\sqrt{[n \sum X^2 - (\sum X)^2] \cdot [n \sum Y^2 - (\sum Y)^2]}}$$

Where,

r = Karl Pearson's coefficient or Correlation between X and Y.

n = Number of Years

Interpretation of correlation coefficient (r) :

The value of 'r' lies between +1 to -1

When r = +1, there is positively perfect correlation between the two variables.

When r = -1, there is a negative perfect correlation between the two variables.

When r = 0, the variables are uncorrelated i.e. increase or decrease in one variable results no impact on another variable and vice versa. Together with Karl Pearson's coefficient of correlation probable error (P.E.) of the correlation coefficient is also computed. P. E. is the measure of testing the reliability of the calculated value of 'r' it is given by

$$\text{P. E.} = 0.6745 \frac{1-r^2}{n}$$

Where, P.E. = probable error of correlation it is given coefficient

n = number of pair of observations

r = correlation coefficient

It is used in interpretation whether calculated value of 'r' is significant or not if r < P.E. it is insignificant. But when, P.E. < r < 6 P.E. the value of 'r' is inconclusive as to statistically significant/ insignificant correlation. The upper and lower limits which the coefficient 'r' with but when is always in positive value's module of /r/ = 0.5, this positive value 'r' is compared with P.E. and 6 P.E. to derive to a conclusion of practically significant/insignificant correlation.

### c. Regression Analysis

Regression is the statistical tool which is used to make estimation of one variable based on the other variables. The closer the relationship between the two variables the more accurate the estimated value is. The unknown variable to be estimated is called dependent variable and the known variable is called independent variable.

Correlation analysis indicates to what degree the variable are related and regression analysis indicates how the variables are related. Regression line of X variable on Y variable is given by;

$$(X-\bar{X}) = r \frac{X}{Y} (Y - \bar{Y})$$

Where,

$\bar{X}$  = Mean of X variable

$\bar{Y}$  = Mean of Y variable

X = Standard deviation of X variable

Y = Standard deviation of Y variable

r = Karl Pearson's coefficient of correlation

Likewise, The regression line of Y variable on X variable is given by;

$$(Y-\bar{Y}) = r \frac{Y}{X} (X - \bar{X})$$

### 3.6.2 Financial Tools

Financial positions and performances of a company can be measured using ratios between different variables of the statement of cash flows. Some of the key cash flows ratios are mentioned below.

#### a. Cash Flow Sufficiency Ratio

It shows the ability of a generate operating cash flows. All ratios indicate whether a company's cash flows are sufficiency for the payment of debt acquisition of assets and payment of dividends. These ratios are calculated as follows.

$$(i) \text{ Cash flow adequacy ratio} = \frac{\text{Cash flow from Operation}}{\text{Repay borrowing} + \text{Assets acquired} + \text{Dividends}}$$

$$(ii) \text{ Reinvestment Ratio} = \frac{\text{Payment for Fixed Asset}}{\text{Cash Flow from operating activities}}$$

### **b. Cash Flows Return Ratio**

These ratios are also known as efficiency ratio. It shows the ability of a company to generate operating cash flows. Cash flow efficiency ratios are used to assess the relationship between items in the income statement and balance sheet with cash flow from operations as disclosed in the cash flow statement. These ratios are:

$$(i) \text{ Cash flow margin ratio} = \frac{\text{Cash Flow From Operation}}{\text{Sales Revenue}}$$

$$(ii) \text{ Cash flow realization ratio} = \frac{\text{Cash Flow From Operation}}{\text{Net Income}}$$

$$(iii) \text{ CF return on assets ratio} = \frac{\text{Cash flow from operation} + \text{income tax paid} + \text{interest paid}}{\text{Total Assets}}$$

### **c. Cash Flow Liquidity Ratio**

This ratio is used to test the company's short term debt paying ability. Short term debt refers to account payable, sundry creditors, bills payable etc. It is calculated as follows.

$$\text{Cash Flow Liquidity Ratio} = \frac{\text{Cash Flow from Operation} + \text{Cash /Bank Balance}}{\text{Current liabilities}}$$



#### **d. Cash Flow Turnover Ratio**

Cash turnover ratio is cash flow on revenue ratio. Cash flow on revenue ratio measures the company's ability to turn sales revenue into cash from operating activities where as cash turnover ratio measures the company's ability to turn sales revenue into cash and bank balance. It is calculated as follows.

$$\text{Cash flow turnover ratio} = \frac{\text{Cash and Bank Balance}}{\text{Sales revenue}}$$

#### **e. Quality Income Ratio**

Quality income ratio refers to how much cash flow from operations without deducting the interest expenses has been generated out of the net income before interest and depreciation. This ratio measures the degree of difference between cash base notion of income is generally Considered to be a more subjective measurement than that of cash base notion of income. But the cash base income is better measurement of performance of business firm. It gives insight into the quality of income and also shows difference between the operating net income and net cash flows from operating activities. It is calculated as follows.

$$\text{Quality income ratio} = \frac{\text{Cash flow from operation} + \text{Interest paid}}{\text{Net income} + \text{Interest exp.} + \text{Depreciation}}$$

Higher quality income ratio indicates good sign of operating performance.

#### **f. Capital Expenditure Ratio**

Capital expenditure ratios help to assess whether the company is capable of financing capital investment for growth and renewal after dividend to the owner. It measures the portion of investment supported by operating and financing activities. These ratios are:

- (i) Cash flow from operation to cash flow from investing activity
- (ii) Cash flow from financing activity to cash flow from investing activity

Cash flow from operation to cash flow from investing activity ratio is preferred to be higher than the cash flow from financing activity to cash flow from investing activity.

#### **f. Free Cash Flow**

Free cash flow is calculated to determine the ability of a firm to retire additional debt and need for a firm to raise additional funds to support current operation and programs. Free cash refers to cash remaining after necessary operating and capital expenditures and debt service payments are covered. Free cash flow can be used to repurchase stock, pay dividends, expand, acquire other business or invest in debt and equity securities. The free cash flow is calculated as under:

Free cash flows = Cash from operation - Cash used for essential investing activity - Cash used for essential financing activity - cash dividend.

Cash from operation should be sufficient enough to pay for necessary investment for expansion, to pay for maturing debt obligations and the expected dividend to shareholders.

### **3.7 Diagrammatic and graphical presentation**

Presentation of statistical data using diagram is known as diagrammatic presentation. Data was presented through diagrams and graphs provide importance at a glance. Picture speaks itself, there is no need to explain they show visual indications of magnitudes, grouping, strengths trends and patterns of visual indications, grouping, strengths trend and patterns of presented data. Diagrams generally provide fixed information about the data where as a graph provides more precise and accurate information than diagrams.

## CHAPTER - IV

### DATA PRESENTATION AND ANALYSIS

#### 4.1 Presentation of cash flow statement of NTV

The Cash Flow Statement below reflects the change in financial position from FY 2062/063 to 2066/067 by classifying transactions into statement under indirect method. Under indirect method net profit/loss is adjusted by the transactions of a non cash nature deferred or accruals of past or future operation cash receipts and payments and items of income or expenses associated with investing of financing cash flows. The following table shows the cash flow statement of NTV during the study period.

Table 4.1

Cash Flow Statement of NEPAL TELEVISION on FY 2062/063 to 2066/067

Particulars	Fiscal Year				
	2062/063	2063/064	2064/065	2065/066	2066/067
A. Cash Flow From Operating Activities					
Net Profit (Loss) for the year	-77910296	125049987	-69536105	-80315343	-83017420
<b>Adjustments</b>					
a. Depreciation for the year	97698753	84209293	77935895	80530819	70149888
b. Expenses Written Off	0	0	0	0	0
c. Provision for losses & other	16450600	35529697	35036750	-6943825	29949718
d. Profit (Loss) from sale of Assets	0	4478977	0	-19159	0
e. Miscellaneous Grant (Capital)	-337792	-270234	-216187	-172950	-138360
f. Interest Income	-5457128	-2714396	-34522094	-10925997	-12749036
g. Other Income	0	0	0	0	-1018564
h. Provision for Tax	0	0	0	0	0
<b>Funds From Operation before change in working capital</b>	<b>30444137</b>	<b>-3816650</b>	<b>8698259</b>	<b>-17846454</b>	<b>3176226</b>
a. Inventory (Increase)/ Decrease	6277065	1564348	-17707418	5286610	139513
b. Debtors (Increase)/ Decrease	-45831054	-5289905	64264215	-3860510	-20813394
c. Advance/Deposit (Increase)/ Decrease	-20575744	20118291	52927	-5446875	-10973973
d. Current Liabilities Increase/ (Decrease)	24297583	-10379812	10873780	676842	4927222
<b>(A) Net Cash From Operating Activities</b>	<b>-5388013</b>	<b>2196271</b>	<b>66181764</b>	<b>-21190387</b>	<b>-23544406</b>

B. Cash From Investing Activities					
a. Interest/Dividend received	5457128	2714396	34522094	10925997	12749036
b. Received from sale of Fixed Assets	0	0	0	-124358	202590
c. Purchase of Fixes Assets	-34897606	-36988145	-22755502	-67449675	-6415179
<b>(B) Net Cash From Investing Activities</b>	<b>-29440478</b>	<b>-34273748</b>	<b>11766592</b>	<b>-56648036</b>	<b>6536448</b>
C. Cash From Financing Activities					
Received From Government Share Capital	27500000	45000000	24000000	20000000	45000000
<b>(C) Net Cash From Financing Activities</b>	<b>27500000</b>	<b>45000000</b>	<b>24000000</b>	<b>20000000</b>	<b>45000000</b>
Net Change in Cash (A+B+C)	-7328492	12922522	101948356	-57838424	27992042
Add: Opening Cash/Bank Balance	124555758	117227266	130149788	232098145	174259721
<b>Cash/Bank Balance End of the Period</b>	<b>117227266</b>	<b>130149788</b>	<b>232098145</b>	<b>174259721</b>	<b>202251763</b>

(Source:- Audited Annual Financial Report of NTV)

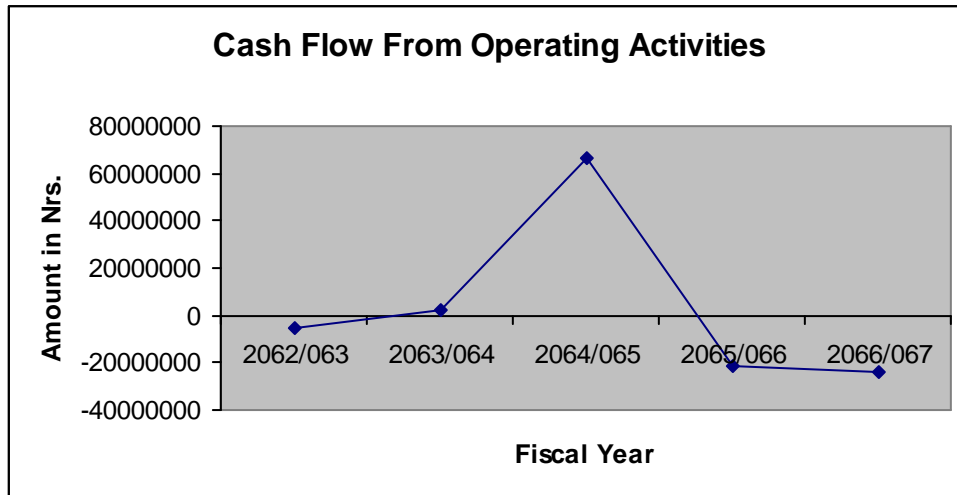
## 4.2 Analysis of Cash Flow From Operating Activities

Cash Flows from operating activities includes all those activities of the corporation which makes cash flows. If the cash inflow is greater than of outflow it is considered satisfactory because it shows the company have sufficient cash to bear all the expenses and overhead but if cash outflow is greater than inflow it is considered poor performance.

The above table shows that net cash from operating activities of NTV was rs. (53,88,013) in FY 2062/063. In the FY 2063/064 it increased to Rs. 21,96,271 i.e. it increased by 59.24%. It was increased to Rs. 6,61,81,764 in FY 2064/065. It increased by Rs. 6,39,85,494. It was due to increased in working capital i.e. increased in current assets. It was the highest cash from operating activities obtained in the last five years and it was due to achieving minimum net loss during the period. In FY 2065/066 cash from operating activities was negative, it largely decreased to Rs. (2,11,90,387) because the large portion of cash spent for current liabilities. In the FY 2066/067 also cash flow from operating activities was negative by Rs. (2,35,44,406) due to increased in huge amount of Net loss.

The cash flow from operating activities of NTV during the study period can be shown in a diagrammatic presentation as follows;

**Figure 4.1**



The above interpretation to the data and figure shows that NTV's operating cash flow is in highly fluctuating trend. There is also irregular cash flow on non operating income and expenses and working capital which is also the reason for fluctuating on operating cash flow.

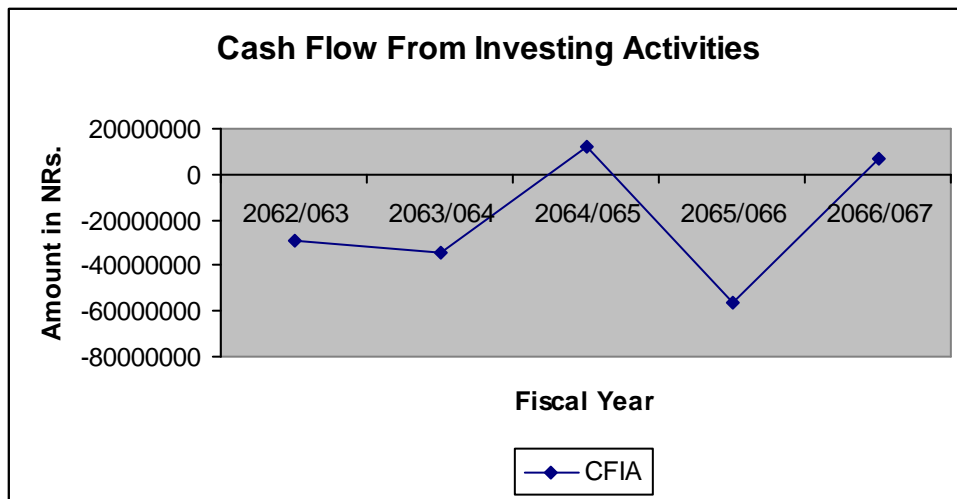
### **4.3 Analysis of Cash Flow From Investing Activities**

Cash Flow from investing activities of NTV were observed during the study period the pattern of cash flows were Rs. (2,94,40,478), Rs. (3,42,73,748), Rs. 1,17,66,592, Rs. (5,66,48,036) and Rs. 65,36,448 respectively in respective the FY 2062/063, 2063/064, 2064/065, 2065/066 and 2066/067. From the above figure it seemed that cash flow from investing activities in FY 2062/063, 2063/064 and FY 2065/066 were negative due to purchase of Fixed Assets. In FY 2064/065 and 2066/067 cash flow from investing activities were positive by Rs. 1,17,66,592 and Rs. 65,36,448 respectively. It is due to the purchase of Fixed Assets were decreased by 38.48% and 90.48% and also increased in interest/dividend by 1171.81% and 16.68% respectively.

During the study period the main investing activities involved was acquisitions of Fixed Assets. It states that NTV has enhanced future growth opportunities and was able to expand its services through expansion of its transmission center.

The CFIA during the study period can be shown from graphical presentation as follows.

**Figure 4.2**

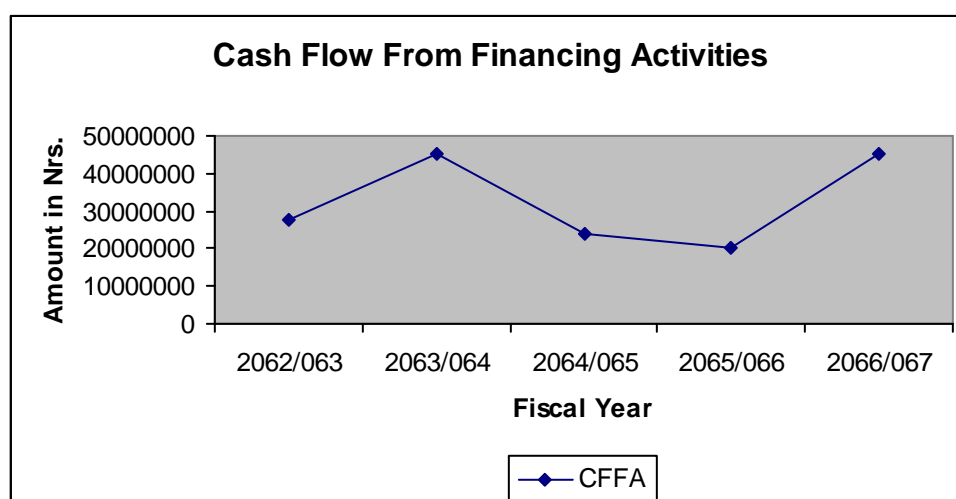


#### **4.4 Analysis of Cash Flow From Financing Activities**

Cash Flow from financing activities of NTV were Rs. 2,75,00,000, Rs. 4,50,00,000, Rs. 2,40,00,000, Rs. 2,00,00,000 and Rs. 4,50,00,000 in the FY 2062/63, 2063/064, 2064/065, 2065/066 and 2066/067 respectively. The amount increased by 63.64% in FY 2063/064, it decreased by 46.67% in FY 2064/065 and by 16.67%, in FY 2065/066. It increased by 125% in FY 2066/067. The reason behind increase and decrease in cash flow from financing activities was change in policy of government share and debenture investment. This investment was used by NTV for its expansion of transmission center and coverage area. Since NTV had not issue ordinary shares, preference share and debenture yet.

The CFFA during the study period can be graphical representation as follows.

**Figure 4.3**



From the above graphical presentation, figure of CFFA was in fluctuating trend from FY 2062/063 to 2066/067.

#### **4.5 Analysis of Net Cash Flow**

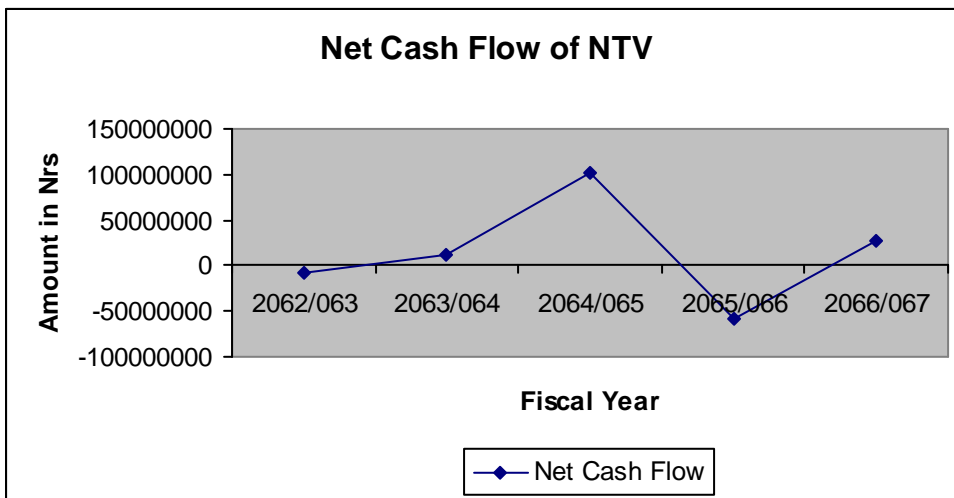
The net cash flows of NTV were calculated from accumulating net cash flow from operating, investing and financing activities. The net cash flows of NTV were very fluctuating during the study period. It can be shown with the following table.

**Table 4.2**  
**Net Cash Flows of NTV**

Fiscal Year	CFOA	CFIA	CFFA	Net Cash Flow
2062/063	-5388013	-29440478	27500000	-7328491
2063/064	2196271	-34273748	45000000	12922523
2064/065	66181764	11766592	24000000	101948356
2065/066	-21190387	-56648036	20000000	-57838423
2066/067	-23544406	6536448	45000000	27992042

From the above table net cash flow of NTV in FY 2062/063 to FY 2066/067 were Rs. (73,28,491), Rs. 1,29,22,523, Rs. 10,19,48,356, Rs (5,78,38,423) and Rs. 2,79,92,042 respectively which can be shown the following graphical presentation.

**Figure 4.4**



From the above figure, it seemed in the FY 2063/064, FY 2064/065 and 2066/067 net cash flow increased and in FY 2065/066 net cash flow decreased in a heavy amount. It was due to the large amount of cash expenditure payment to fixed assets and investment.

#### **4.6 Analysis of Profit and Loss**

Profit is the positive difference between income and expenses. If income is greater than expenses is profit and vice - versa. Profit is the amount money expected to make if all customers paid on and if expenses were spread out evenly over the time being measured. Profits of the firm depend on many factors such as depreciation, non operating gains and losses. Simply it can be said that when manufacturing, selling, distribution and administrative cost are subtracted from sales revenue then occurred either profit or loss. Profit and loss can be computed either by using Profit and Loss account or by income statement. P/L account generally used by trading & service company and manufacturing company uses income statement. Thus, NTV had used P/L account which ascertained profit or loss.

However, profit has less if the firm has negative cash flow. It is the cash not the profit which is required to operate the business. Profit is accounting measures that may not



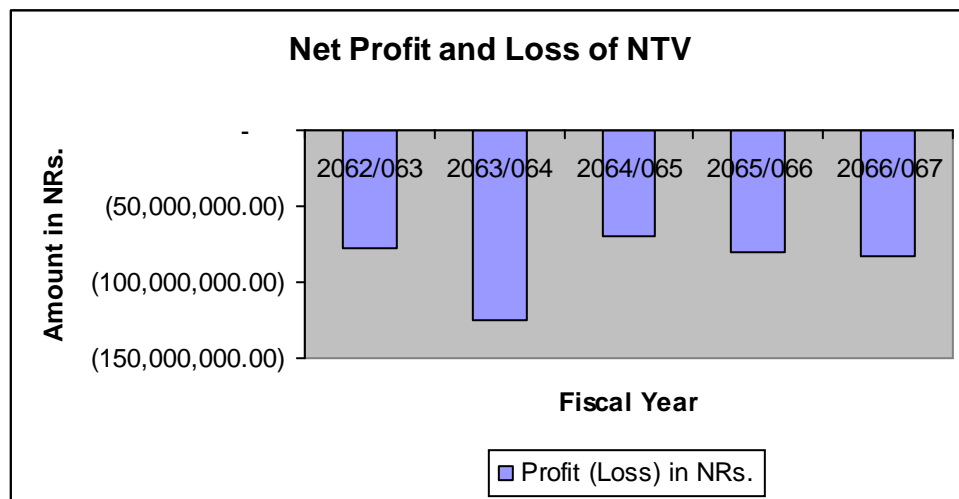
reflect the economic reality of the firm. The following table shows the profit and loss of NTV.

**Table 4.3**  
**Profit and Loss of NTV**

<b>Fiscal Year</b>	<b>Profit (Loss) in NRs.</b>
2062/063	(77,910,295.82)
2063/064	(125,049,986.66)
2064/065	(69,536,104.62)
2065/066	(80,315,343.29)
2066/067	(83,017,420.02)
<b>Average</b>	<b>(87,165,830.08)</b>

From the table no. 4.3, In FY 2062/063 NTV had loss of Rs. (77,910,295.82). In the FY 2063/064 it increased to Rs. (125,049,986.66). In the FY 2064/065 NTV was able to decreased loss by Rs. 55,513,881.98 but again in the FY 2065/066 NTV suffered from loss of (80,315,343.29) which is increased by Rs. 10,779,238.67 due to weakness of managerial control and receivable collection. NTV suffered by large amount of loss in FY 2066/067 of Rs. (83,017,420.02). The Corporation had average loss of Rs. 87,165,830.08 which shows NTV financial position was very weak. It can be shown with the following diagram.

**Figure 4.5**



The above diagram shows that NTV had been suffering from loss on every fiscal year in 2062/063 to 2066/067. It showed that NTV had poor financial status. It failed to collect its advertising revenue from its agencies from the beginning. NTV didn't have

tight collection policy. That is why it was forced to suffer from loss however, NTV was able to reduce the loss in FY 2064/065 because of increase on debtor collection and decrease on advance and deposit.

The net profit/loss not only includes operating expenses but also includes non operating expenses. Operating expenses directly deals with cash such as expenses related to generation of advertisement, expansion its coverage area, transmission expenses and other expenses etc. On the other hand, non operating expenses is the expenses that includes non cash expenses for example depreciation, profit/loss on foreign exchange, differed revenue expenditure written off, loss on sale of fixed assets etc. Since non operating expenses are also treated while computing profit. It can be said that profit is not correct base for the decision making about the firm's performance after adjusting or adding back these non operating expenses and non operating gain.

The cash flows from operating activities before change in working capital of NTV shown in the following table.

**Table 4.4**  
**CFOA before change in Working Capital**

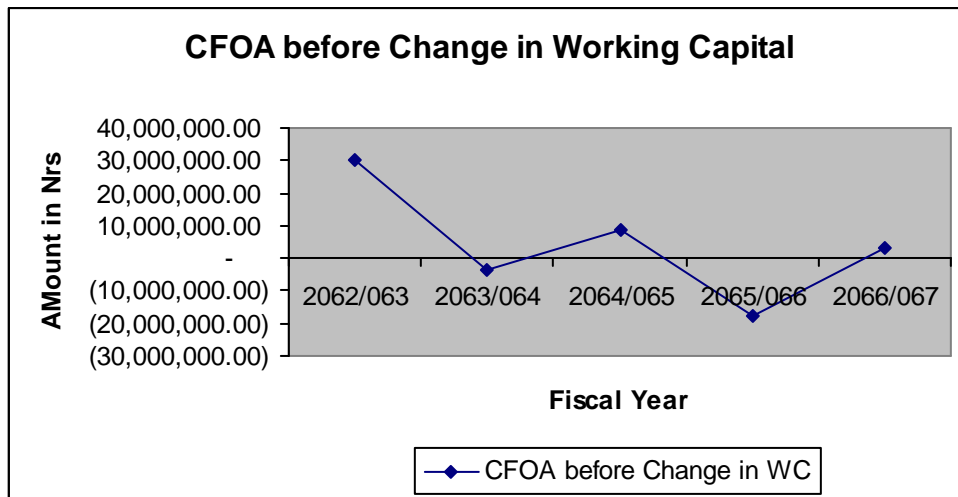
<b>Fiscal Year</b>	<b>CFOA before Change in WC</b>
2062/063	30,444,136.89
2063/064	(3,816,649.95)
2064/065	8,698,259.33
2065/066	(17,846,453.64)
2066/067	3,176,225.70
<b>Average</b>	<b>4,131,103.67</b>

From above table, it can be said that NTV has obtained positive cash flows from operating activities before change in working capital on FY 2062/063, FY 2064/065 and FY 2066/067 but negative cash flows in FY 2063/064 and FY 2065/066. NTV had average Rs. 41,31,103.67 positive cash flow from operating activities before change in working capital. The profit before adjusting non operating expenses and income were Rs.30,444,136.89 in FY 2062/063, Rs. 8,698,259.33 in FY 2064/065 and

Rs. 3,176,225.70 in FY 2066/067. Thus it can be said that NTV was able to provide its satisfactory services.

The following figure clearly shows its actual operating profit or loss.

**Figure 4.6**



The above diagram indicates that NTV has fluctuating trend of actual operating profit/loss. It because the operating cost and administrative cost increased and other income decreased.

#### **4.7 Comparison of Profit/Loss and CFOA before change in Working Capital**

Profit/ Loss is derived after deducting non operating expenses and adding non operating gain. And cash flow from operating activities before change in working capital is obtained by adding non operating expenses. Here it is trying to analysis whether these expenses affects our decision or not the below table shows both the profit or loss.

**Table 4.5**

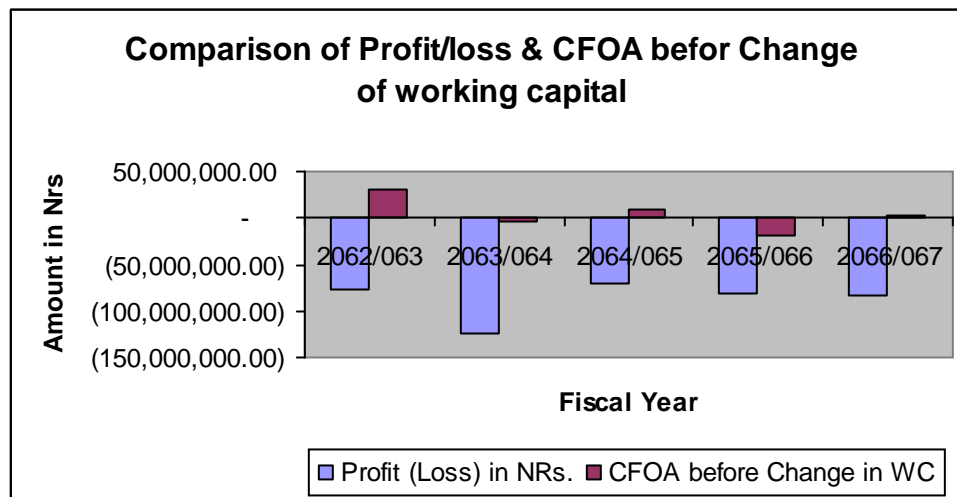
**Comparison of Profit/loss and CFOA before change in Working Capital**

<b>Fiscal Year</b>	<b>Profit (Loss) in NRs.</b>	<b>CFOA before Change in WC</b>
2062/063	(77,910,295.82)	30,444,136.89
2063/064	(125,049,986.66)	(3,816,649.95)
2064/065	(69,536,104.62)	8,698,259.33
2065/066	(80,315,343.29)	(17,846,453.64)
2066/067	(83,017,420.02)	3,176,225.70
<b>Average</b>	<b>(87,165,830.08)</b>	<b>4,131,103.67</b>

The above table showed there was significant difference in the profit derived after deducting non operating expenses and before deducting non operating expenses. It is observed that from the P/L account, NTV suffered loss all Fiscal Year but actually NTV has been gaining operating profit on FY 2062/063, FY 2064/065 and FY 2066/067 and minimum loss on other fiscal year.

The below diagram clearly shows the difference between the two profit/loss.

**Figure 4.7**



The above diagram shows NTV was actually able to obtain operating profit on FY 2062/063, FY 2064/065 and FY 2066/067. NTV showed loss due to deduction of huge volume of depreciation, provision for losses, deferred revenue expenditure. Because of non operating and non cash expenses, NTV was in high loss. But in fact, NTV had been operating successfully after adjusting fund from operation, the Corporation

earned operating profit of Rs. 3,04,44,136.89 in FY 2062/063 but P/L account showed the loss of Rs. 7,79,10,295.82. It is because while preparing P/L account there was deduction of depreciation of Rs. 9,76,98,753.00 and provision for losses and others Rs. 1,64,50,600. Similarly, cash flow statement showed operating profit of Rs. 86,98,259.33 in FY 2064/065 and Rs.31,76,225.70 in FY 2066/067 whereas P/L account showed the loss of Rs. 6,95,36,104.62 in FY 2064/065 and Rs. 83017420.02 in FY 2066/067. Thus, the above interpretation and analysis of the data make clear that non operating and non cash expenses very much affects in the decision making. These expenses give wrong information about the Corporation. That is why, net profit/loss should be analysis on the basis of the operating profit derived from cash flow statement. In fact operating profit derived from cash flow statement is the most genuine figure to their important decision.

#### **4.8 Analysis of Cash/bank Balance**

Cash is the most important component of current assets of the operation of a business. No enterprises can operate without cash. It is the cash from all transaction are done. Manufacturing or trading of products or services is held through cash. Thus, cash is the most important component of current assets of every organization. However, company should keep only sufficient cash. More cash balance reduces rate of return on equity and less cash balance reduces investment opportunities. So, every company should be very careful while holding cash.

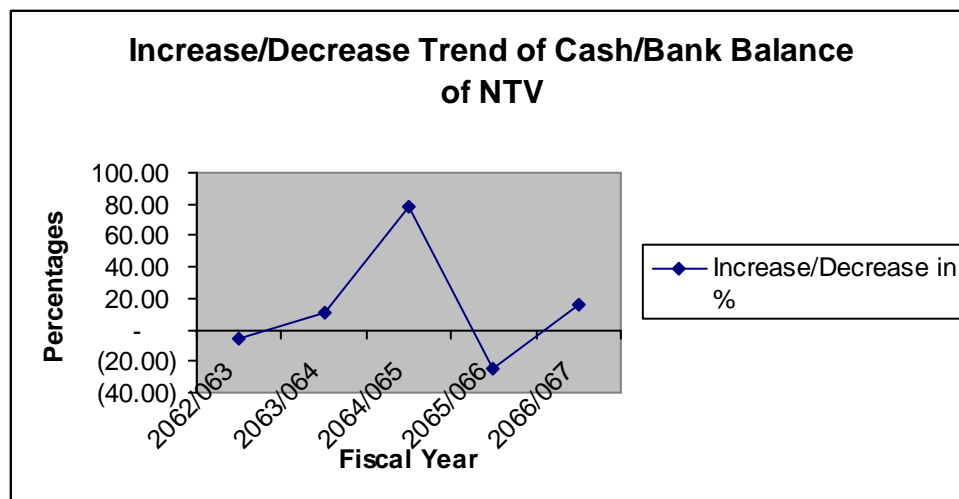
The following table shows the cash / bank balance of NTV during the study period.

**Table 4.6**  
**Cash and Bank Balance of NTV**

<b>Fiscal Year</b>	<b>Opening Cash/Bank Balance</b>	<b>Closing Cash/Bank Balance</b>	<b>Increase/Decrease in %</b>
2062/063	124,555,757.85	117,227,266.09	(5.88)
2063/064	117,227,266.09	130,149,788.00	11.02
2064/065	130,149,788.00	232,098,145.00	78.33
2065/066	232,098,145.00	174,259,721.09	(24.92)
2066/067	174,259,721.09	202,251,763.00	16.06

The above table shows the cash / bank balance of NTV. The opening cash / bank balance were Rs. 124,555,757.85, Rs. 117,227,266.09, Rs. 130,149,788.00, Rs. 232,098,145.00 and Rs. 174,259,721.09 and closing cash / bank balance were Rs.117,227,266.09, Rs. 130,149,788.00, Rs. 232,098,145.00, Rs. 174,259,721.09 and Rs. 202,251,763.00 from FY 2062/063 to 2066/067 respectively. Cash/Bank balance where in fluctuate trend as revealed diagram.

**Figure 4.8**



Closing cash balance was derived by adding opening cash balance to the net cash generation shown by cash flow statement. Increase in net cash makes increase in closing cash balance and vice - versed. In FY 2062/063 and FY 2065/066 the closing balance were decreases by 5.88% and 24.92%, it is because in those year huge amount of cash in spend for purchase of fixed assets. In FY 2063/064, FY 2064/065 and FY 2066/067 the closing cash balance were increased by 11.02%, 78.33% and 16.06% respectively. It means there was positive cash generation and it was due to more cash inflow from operating and financing activities. It can be concluded that NTV was holding cash inconsistently and utilizing is not properly. There was very fluctuating in the cash which might not be in favor of the Corporation.

#### **4.9 Analysis of Cash Flow Ratios**

Various Cash Flow ratios had been use for the analysis of performance of NTV. Cash flow ratios are generally generated from operating activities excludes non operating expenses. The cash flow ratios use in this study are as follows.

#### 4.9.1 Cash Flow Sufficiency Ratio

Cash flow sufficiency ratio aim at assessing a company's relative ability to generated sufficient cash to meet its cash flow needs. All ratios indicate whether a company's cash flows are sufficient for the payment of debt acquisitions of assets and payment of dividend. These ratios are;

##### (A) Cash flow adequacy ratio:

Cash flow adequacy ratio measures from operating activities with respect to their repayment of borrowing and assets required in the present study. This ratio is calculated and analyzed to measure the entity's ability to produce sufficient cash for the payment of debt, the acquisition of assets and the payment of dividends. It is calculated by using the following formula.

$$\text{Cash flow adequacy ratio} = \frac{\text{Cash flow from Operation}}{\text{Repay borrowing} + \text{Assets acquired} + \text{Dividends}}$$

**Table 4.7**

**Cash Flow Adequacy Ratio of NTV**

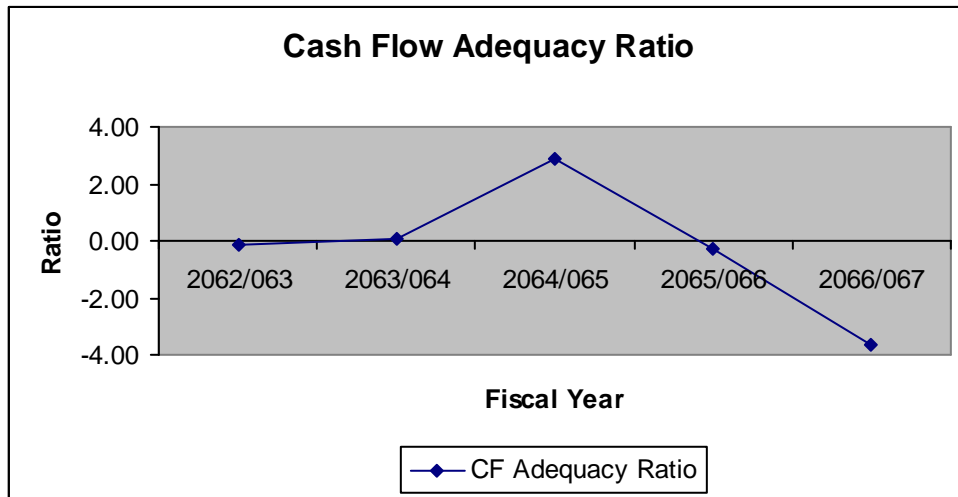
<b>Fiscal Year</b>	<b>CFOA</b>	<b>Repayment</b>	<b>Assets Acquired</b>	<b>Dividend</b>	<b>Ratio</b>
2062/063	(5,388,013)	0	34,897,606	0	-0.15
2063/064	2,196,271	0	36,988,145	0	0.059
2064/065	66,181,764	0	22,755,502	0	2.908
2065/066	(21,190,387)	0	67,449,675	0	-0.31
2066/067	(23,544,406)	0	6,415,179	0	-3.67
			<b>Average</b>		<b>-0.23</b>

Assets acquired refers to the assets purchase. Dividend and repayment of borrowing are nil. NTV didn't pay dividend. It owned by the Government of Nepal. That's why all the capital investment were made of the government. The cash flow adequacy was in fluctuating trend from FY 2062/063 to FY 2066/067. In FY 2063/064 and 2064/065 the ratios were 0.059 and 2.908 respectively. It indicated that NTV had obtained sound cash purchase needed assets. In FY 2062/063, FY 2065/066 and FY 2066/067 the ratios were negative by 0.15, 0.31 and 3.67 respectively which indicates that NTV couldn't pay for purchase of assets and for repayment of borrowings. The negative

ratio of those fiscal year caused by increased in debtors and purchase of fixed assets was also in large amount. Cash flow adequacy ratio should be one or more than one for proper cash management.

The following figure shows the cash flow adequacy ratio of different fiscal years.

**Figure 4.9**



It can be clearly defined that cash flow adequacy ratio was less than one in FY 2062/063. Then it attracted to increase till FY 2064/065 having the ratio above one on FY 2064/065 and it downfall to negative in FY 2066/067. It was not satisfactory situation since there was up and down in the ratios. We found the satisfactory cash flow adequacy ratio is in FY 2064/065 i.e. 2.908.

**(B) Reinvestment ratio:**

The reinvestment ratio presents the ability of a company to generate cash from operating activities for the purpose it conversing assets acquisition payments.

$$\text{Reinvestment Ratio} = \frac{\text{Payment for Fixed Asset}}{\text{Cash Flow from operating activities}}$$



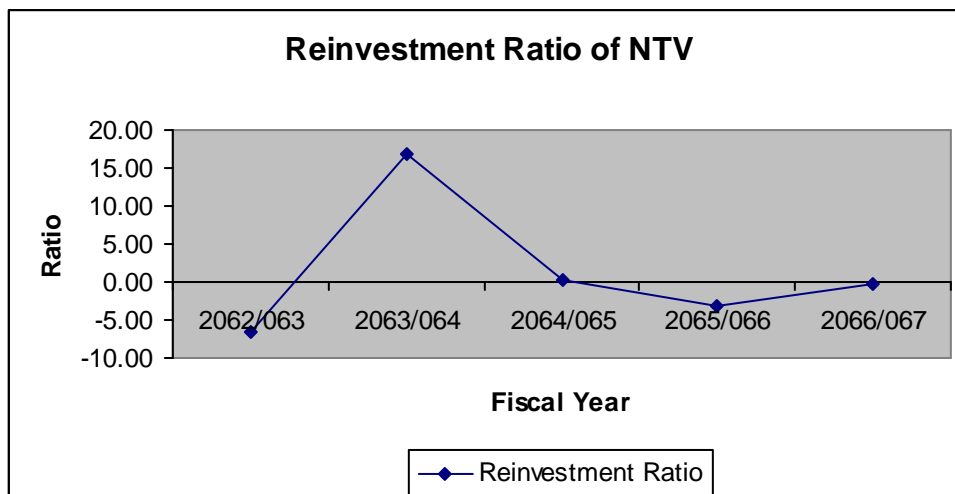
**Table 4.8**  
**Reinvestment Ratio of NTV**

<b>Fiscal Year</b>	<b>Purchase of FA</b>	<b>CFOA</b>	<b>Ratio</b>
2062/063	34,897,606.00	(5,388,013.00)	-6.48
2063/064	36,988,145.00	2,196,271.00	16.84
2064/065	22,755,502.00	66,181,764.00	0.34
2065/066	67,449,675.00	(21,190,387.00)	-3.18
2066/067	6,415,179.00	(23,544,406.00)	-0.27
		<b>Average</b>	<b>1.45</b>

The main purpose of computing this ratio was to figure out how much money the NTV had spent in purchasing or investing in Fixed Assets. Average of reinvestment ratio was 1.45. The table shows in the FY 2063/064 the ratio was 16.48 i.e. 1648% of cash was spent on purchase of fixed assets. In FY 2062/063 to 2066/067 reinvestment ratios were -6.48, 16.84, 0.34, -3.18 and -0.27 respectively. The corporation had purchased fixed assets by spending large amount of cash.

Following figure shows the reinvestment ratio of different years.

**Figure 4.10**



The figure shows reinvestment ratio of the NTV was highly increased in FY 2063/064. It means high amount of cash it spent to invest in fixed assets.

## 4.9.2 Cash Flow Return Ratio

Cash flow return ratio is also called efficiency ratio. It shows the ability of a company to generate operating cash flows. Cash flow efficiency ratios are used to sheet with cash flow from operations as disclosed in the cash flow statement.

These ratios are as follows.

### (A) Cash flow on Revenue Ratio :

Cash flow on revenue ratio is also called cash flow margin ratio. This ratio aims at showing the ability of the company to turn revenue into cash. The higher the ratio, the better the ability. This ratio employs information provided by the statement of cash flow and the profit & loss account. It is computed by dividing CFOA by sales revenue.

$$\text{Cash flow margin ratio} = \frac{\text{Cash Flow From Operation}}{\text{Sales Revenue}}$$

The following table shows cash flow on revenue ratio as :

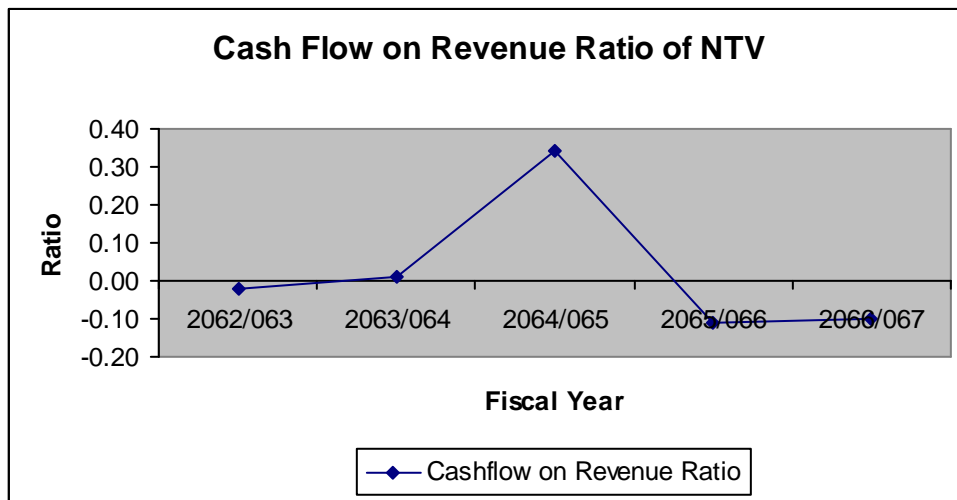
**Table 4.9**  
**Cash Flow on Revenue Ratio of NTV**

<b>Fiscal Year</b>	<b>CFOA</b>	<b>Sales Revenue</b>	<b>Ratio</b>
2062/063	(5,388,013.00)	245,109,623.75	-0.02
2063/064	2,196,271.00	188,012,494.63	0.01
2064/065	66,181,764.00	195,925,258.70	0.34
2065/066	(21,190,387.00)	199,460,534.62	-0.11
2066/067	(23,544,406.00)	230,500,484.96	-0.10
		<b>Average</b>	<b>0.02</b>

Revenue refers to cash generation from advertisement and cash from operation refers to net cash generation from operating activities. Cash revenue direct method, cash from operating activities is computed from revenue. Cash from operation also can be called as operating profit. Thus, it is important to know how much cash from operation generated out of total revenue since revenue excludes all the expenses.

The below figure shows the cash flow on revenue ratio as:

**Figure 4.11**



The table no. 4.9 and figure no.4.11 shows the cash flow on revenue ratio of NTV. The cash generated from revenue ratio were less than 0.5 that is 50%. The average ratio of cash flow on revenue was 0.02 that is 2%. In FY 2062/063 the ratio was (0.02) which indicates 2.2% negative cash was generated out of 100% which showed the NTV's weak ability to turn revenue in to cash.1% in FY 2063/064 and 34% in FY 2064/065 which indicates NTV was improving a little in its performance. It is showing some positive sign but in FY 2065/066 and FY 2066/067 this ratio again decreased to (0.11) and (0.10) respectively. It indicated that cash revenue generation is fluctuating continuously from FY 2062/063 to FY 2066/067. Thus, NTV was not able to convert its revenue to cash. Moreover, it was not consistent in generating cash from revenue which can be seen in the above figure line. The line moves downward, upward and again downward in each year which signifies the fluctuation in the generating cash from revenue. Negative cash flow on revenue ratio occurred in FY 2062/063, FY 2065/066 and FY 2066/067 but revenue was increased in same year which indicates that there is not consistent in cash flow and sales revenue.

### **Statistical Tool:**

The relation between sales revenue and cash from operating activities (CFOA) also can be shown by using some statistical tools here. Correlation between sales revenue and CFOA are tested below.

## Correlation :

Correlation analysis refers to the statistical technique which measures the degree of relationship between two or more variables. It is be noted that a high defer of correlation between two variables doesn't always necessarily imply that changes in one variation cause changes in the other. Out of several methods of calculating correlation, Karl Pearson's coefficient of correlation is one of the best methods.

Since, Cash flow from operating activities is directly dependent on revenue. Revenue is considered as independent variable and CFOA as dependent variable.

**Table 4.10**  
**Correlation between Sales Revenue & CFOA**

*(Rs. in millions)*

Fiscal Year	Sales (X)	CFOA (Y)	X <sup>2</sup>	Y <sup>2</sup>	XY
2062/063	2451.09	-53.88	6007842.19	2903.05	-132064.73
2063/064	1880.12	21.96	3534851.21	482.24	41287.44
2064/065	1959.25	661.82	3838660.56	438005.71	1296670.84
2065/066	1994.60	-211.90	3978429.16	44901.61	-422655.74
2066/067	2305.00	-235.44	5313025.00	55431.99	-542689.20
	<b>X=10590.06</b>	<b>Y=182.56</b>	<b>X<sup>2</sup>=22672808.13</b>	<b>Y<sup>2</sup>=541724.61</b>	<b>XY=240548.60</b>

Here, Number of observation (n) = 5 years

$$\begin{aligned} \text{Correlation Coefficient (r)} &= \frac{n \sum XY - \sum X \cdot \sum Y}{\sqrt{[n \sum X^2 - (\sum X)^2] \cdot [n \sum Y^2 - (\sum Y)^2]}} \\ &= \frac{5 \times 240548.60 - 10590.06 \times 182.56}{\sqrt{[5 \times 22672808.13 - (10590.06)^2] \cdot [5 \times 541724.61 - (182.56)^2]}} \\ &= \frac{1202743 - 1933321.35}{\sqrt{1214669.85 \times 2675294.90}} \\ &= \frac{-730578.34}{1802664.71} \end{aligned}$$

$$= - 0.405$$

Since, the correlation coefficient (r) is - 0.405. It can be said that there is low degree of negative relation between the two variables sales revenue and CFOA. It signifies if sales revenue increased CFOA is decreased. In another word 1% increase sales revenue will result 0.405 % change in CFOA. It can be used probable error (P.E) of the correlation coefficient to test the reliability of correlation (r) in the following way.

$$\begin{aligned} \text{P.E} &= 0.6745 \times \frac{1 - r^2}{\sqrt{N}} \\ &= 0.6745 \times \frac{1 - (-0.405)^2}{\sqrt{5}} \\ &= 0.6745 \times \frac{0.8360}{2.24} \\ &= 0.25 \end{aligned}$$

Here, 6 PE = 0.25x6 = 1.5

Since,  $r < 6PE$ , so the value of r is insignificant perhaps there is no evidence of correlation between sales revenue & CFOA.

### **(B) Cash flow to Net Income Ratio :**

Cash flow to net income ratio compares the company's profit with cash flow from operations and attempts to provide an index of the cash generating productivity of operation. The main purpose to calculate this ratio is to find out whether the ratio is capable enough to carry out decisions. This ratio is some time called the operating index or cash realization ratio.

Net income and cash from operation are two different. Net income is computed preparing income statement where as cash from operation is derived from cash flow statement when cost of goods sold, selling and administrative expenses and all the non operating and non cash expenses are added back and non operating income are

deducted from net profit. Funds from operation (FFO) is obtained when increase in working capital is added except cash and deduct increase in working capital except cash. Cash from operating activities is ascertained which is already discussed in review of literature. It is calculated as cash flow from operations divided by profit after income tax.

Here,

$$\text{Cash flow realization ratio} = \frac{\text{Cash Flow From Operating Activities}}{\text{Net Profit (Loss)}}$$

The following table shows cash flow to net income ratio as :

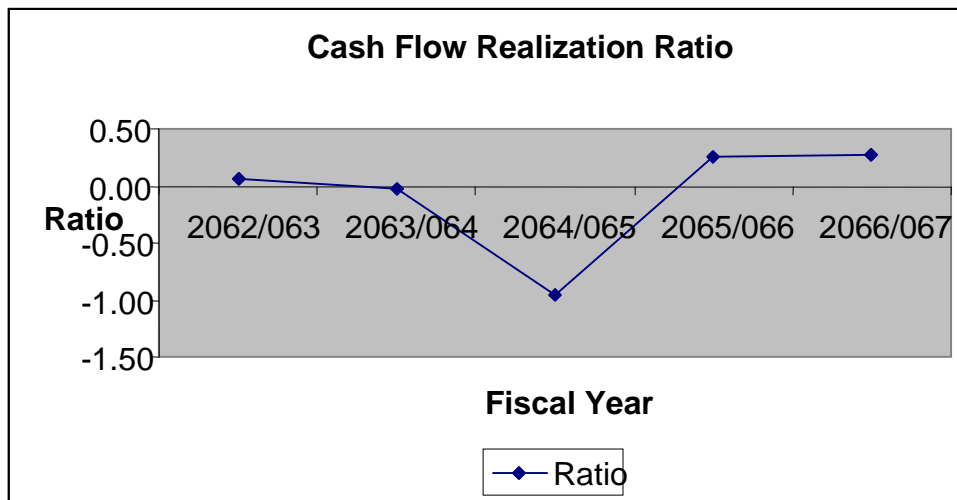
**Table 4.11**  
**Cash Flow Realization Ratio of NTV**

<b>Fiscal Year</b>	<b>CFOA</b>	<b>Net Profit (Loss)</b>	<b>Ratio</b>
2062/063	(5,388,013.00)	(77,910,296.00)	0.07
2063/064	2,196,271.00	(125,049,987.00)	-0.02
2064/065	66,181,764.00	(69,536,105.00)	-0.95
2065/066	(21,190,387.00)	(80,315,343.00)	0.26
2066/067	(23,544,406.00)	(83,017,420.00)	0.28
		<b>Average</b>	<b>-0.07</b>

From above table it is found that the ratio was in negative in FY 2063/064 and FY 2064/065. The average cash flow to net income ratio was negative 0.07. Since, net profit was in negative figure every year but cash flow from operation was positive in FY 2063/064 and FY 2064/065. It signifies that though the Corporation was loss but it can generate positive cash inflow. It also signifies that operating expenses very much affects net profit. In addition to, it net profit is not the only sources of cash inflow. Cash inflow also can be obtained from working capital. That is why CFOA is a strong tool then net profit for decision making when cash is received from debtors or creditors, it is cash inflow for the firm. Since, such activity do not affect in computation of net profit decision shouldn't based on net profit of the firm. It is also require to analysis the cash flow from operating activities.

The ratio can be shown with the following diagram.

Figure 4.12



The above diagram clearly shows that CFOA to net profit ratio's trend. The figure in FY 2062/063 to FY 2064/065 downward to negative and in FY 2065/066 to 2066/067 upward. This trend clearly shows that cash was generated from operation by NTV even it beard loss in subsequent fiscal year.

**Statistical Tool:**

The relation between net profit and cash flow from operating activities was ascertained by using correlation which is as follows;

**Table 4.12**  
**Correlation between Net Profit & CFOA**

*(Rs. in millions)*

Fiscal Year	Net Profit (X)	CFOA (Y)	X <sup>2</sup>	Y <sup>2</sup>	XY
2062/063	-779.10	-53.88	606996.81	2903.05	41977.91
2063/064	-1250.49	21.96	1563725.24	482.24	-27460.76
2064/065	-695.36	661.82	483525.53	438005.71	-460203.16
2065/066	-803.15	-211.90	645049.92	44901.61	170187.49
2066/067	-830.17	-235.44	689182.23	55431.99	195455.22
	<b>X=-4358.27</b>	<b>Y=182.56</b>	<b>X<sup>2</sup>=3988479.73</b>	<b>Y<sup>2</sup>=541724.61</b>	<b>XY=-80043.30</b>

Here, Number of observation (n) = 5 years

$$n \sum XY - \sum X \cdot \sum Y$$

$$\begin{aligned}
\text{Correlation Coefficient (r)} &= \frac{\sum (X - \bar{X})(Y - \bar{Y})}{\sqrt{(\sum (X - \bar{X})^2)(\sum (Y - \bar{Y})^2)}} \\
&= \frac{5 \times (-80043.30) - (-4358.27) \times 182.56}{\sqrt{5 \times 3988479.73 - (-4358.27)^2 \cdot 5 \times 541724.61 - (182.56)^2}} \\
&= \frac{-400216.50 - (-795645.77)}{\sqrt{947881.26 \times 2675294.90}} \\
&= \frac{395429.27}{1592438.98} \\
&= 0.248
\end{aligned}$$

Since, the correlation coefficient (r) is 0.248. We can say that is low degree of positive correlation between net profit and CFOA. It means 1% increase in net profit will result 0.248% increase in CFOA and vice - versa.

Here, It can be used probable error (P.E) of the correlation coefficient to test the reliability of correlation (r) in the following way.

$$\begin{aligned}
\text{P.E} &= 0.6745 \times \frac{1 - r^2}{\sqrt{N}} \\
&= 0.6745 \times \frac{1 - (0.248)^2}{\sqrt{5}} \\
&= 0.6745 \times \frac{0.9385}{2.24} \\
&= 0.28
\end{aligned}$$

Here, 6 PE = 0.28 x 6 = 1.68

Since, r < 6PE, i.e. 0.28 < 1.68, we can say that above ascertained value of correlation coefficient (r) is insignificant. It means perhaps there is no evidence of correlation between net profit and CFOA.



### (C) Cash flow return on Assets Ratio :

This ratio attempts to measure the company's return on turn of the cash flow generated from operations. It evaluates how much cash been generated before deducting interest expenses and income tax expenses from using certain amount of total assets. Total assets includes both current and fixed assets. Current is the assets which can be converted into cash within a year such as sundry debtors, account receivable, inventories, cash and bank balance etc. and fixed assets is long term assets such as plant & machinery, furniture & fixtures, investment etc.

The formula for computing cash flow return on assets ratio is;

$$\text{Cash flow return on assets ratio} = \frac{\text{Cash flow from operation} + \text{income tax paid} + \text{interest paid}}{\text{Total Assets}}$$

The following table shows cash flow return on total assets ratio as :

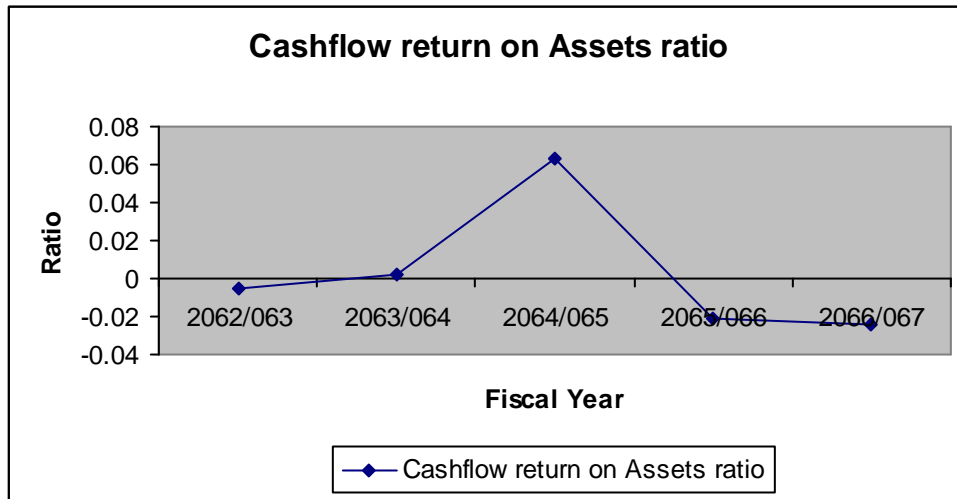
**Table 4.13**  
**Cash Flow Return on Total Assets Ratio**

Fiscal Year	CFOA	Income tax paid	Interest paid	Total Assets	Ratio
2062/063	-5388013.00	0.00	0.00	1109298317.66	-0.005
2063/064	2196271.00	0.00	0.00	1056169604.90	0.002
2064/065	66181764.00	0.00	0.00	1055987375.51	0.063
2065/066	-21190387.00	0.00	0.00	988916488.65	-0.021
2066/067	-23544406.00	0.00	0.00	984150678.21	-0.024
			<b>Average</b>	<b>1,038,904,493.00</b>	<b>0.003</b>

The table shows that cash flow on total assets ratio were -0.005, 0.002, 0.063, -0.021 and -0.024 on FY 2062/063 to FY 2066/067 respectively. The average cash flow return on assets ratio was 0.003 that is 0.3%. Higher ratio implies higher cash generation from the utilization of total assets. Thus, it can be said that the highest cash was generated in the FY 2064/065. Since, the ratio obtained in FY 2064/065 was higher than the rest fiscal years. Then it is gradually started to fall down which shows NTV's inability to utilize its assets properly.

It can be presented with the following figure;

**Figure 4.13**



The above diagram shows that the ratio moved in a fluctuating trend from FY 2062/063 to FY 2066/067. In FY 2064/065 it increase then in FY 2065/066 and FY 2066/067 it again decreased. From trend of this ratio, it can said the NTV was unable to use its resources. A higher ratio usually indicates efficiency in the utilization of its available resources and vice - versa. From the above deviation, it was found that NTV had failed consistently to generated cash from it resources. It also tells that NTV had a poor management and weak strategic sources of property management.

### 4.9.3 Cash Flow Liquidity Ratio

This ratio is used to test the company's short term debt paying ability. Short term debt refers to account payable, sundry creditors, bills payable etc.

Here,

$$\text{Cash Flow Liquidity Ratio} = \frac{\text{Cash Flow from Operation} + \text{Cash /Bank Balance}}{\text{Current liabilities}}$$

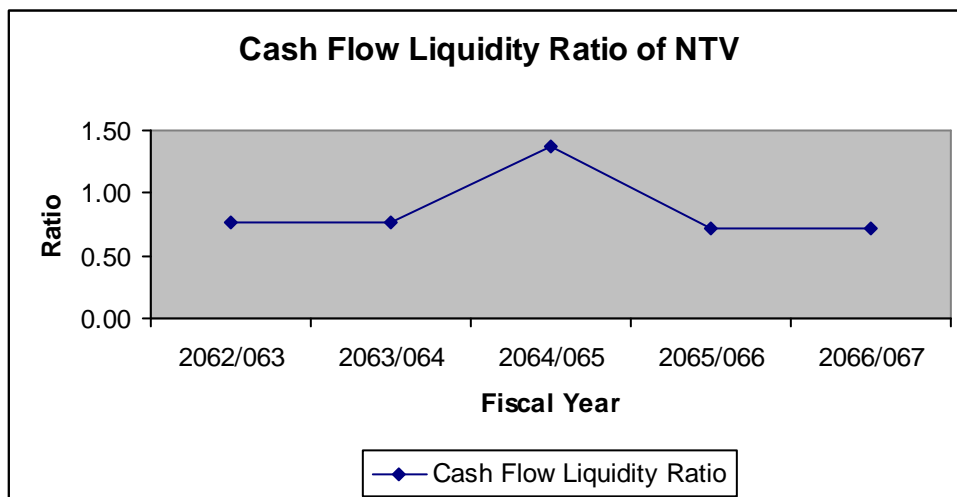
The following table shows cash flow liquidity ratio as :

**Table 4.14**  
**Cash Flow Liquidity Ratio**

<b>Fiscal Year</b>	<b>CFOA</b>	<b>Cash/Bank Balance</b>	<b>Current Liabilities</b>	<b>Ratio</b>
2062/063	-5388013.00	117227266.00	147721629.56	0.76
2063/064	2196271.00	130149788.00	172469868.36	0.77
2064/065	66181764.00	232098145.00	218380398.28	1.37
2065/066	-21190387.00	174259721.00	212113415.83	0.72
2066/067	-23544406.00	202251763.00	246990355.45	0.72
			<b>Average</b>	<b>0.87</b>

The above table shows that cash flow liquidity ratio were 0.76, 0.77, 1.37, 0.72 and 0.72 from the FY 2062/063 to FY 2066/067 respectively. The average cash flow liquidity ratio was 0.87 that is 87% which indicated that the Corporation had ability to pay short term liabilities. In the FY 2064/065 the cash flow liquidity ratio obtained higher than study period that was 1.37. Then it started to fall down which shows NTV's ability to pay short term debt also decreased. It can be present with the following figure.

**Figure 4.14**



The above figure shows the ability of NTV to pay its short term debt. It was in fluctuating trend. The corporation should extend its operation efficiency to generated more cash inflow and should maintain optimum cash and bank balance at the end of each year.

#### 4.9.4 Cash Flow Turnover Ratio

Cash turnover ratio is cash flow on revenue ratio. Cash flow on revenue ratio measures the company's ability to turn sales revenue into cash from operating activities where as cash turnover ratio measures the company's ability to turn sales revenue into cash and bank balance.

Here,

$$\text{Cash flow turnover ratio} = \frac{\text{Cash and Bank Balance}}{\text{Sales revenue}}$$

The following table shows cash flow turnover ratio as :

**Table 4.15**

#### **Cash Flow Turnover Ratio**

<b>Fiscal Year</b>	<b>Cash/Bank Balance</b>	<b>Revenue</b>	<b>Ratio</b>
2062/063	117227266.00	245,109,623.75	0.48
2063/064	130149788.00	188,012,494.63	0.69
2064/065	232098145.00	195,925,258.70	1.18
2065/066	174259721.00	199,460,534.62	0.87
2066/067	202251763.00	230,500,484.96	0.88
		<b>Average</b>	<b>0.82</b>

The cash balance of the Corporation should be optimum to meet its current obligations. The cash turnover ratio explains how quickly cash was recovered from sales. Higher ratio indicates the Corporation sound liquidity position and vice - versa. However, high ratio though considered as good. It also signifies excess cash balance had idle which decrease the opportunities to generate more cash.

The above table shows that NTV had fluctuating cash turnover ratio. Higher ratio was obtained in the FY 2064/065 i.e. 1.18 which indicates in that fiscal year more sales revenue turned into cash and lowest ratio was obtained in FY 2062/063 which indicates NTV made more expenses and spent more cash on investment which ultimate result to lower cash and bank balance.

#### **Statistical Tool:**

The relation between sales revenue and cash/bank balance was ascertained by using correlation which is as follows;

**Table 4.16**

**Correlation between Sales Revenue & Cash/bank Balance**

*(Rs. in millions)*

Sales (X)	Cash Balance(Y)	x=(X-1994.60)	y=(Y-1742.59)	x <sup>2</sup>	y <sup>2</sup>	x y
2451.09	1172.27	456.49	-570.32	208383.12	325264.90	-260345.38
1880.12	1301.49	-114.48	-441.10	13105.67	194569.21	50497.13
1959.25	2320.98	-35.35	578.39	1249.62	334534.99	-20446.09
1994.60	1742.59	0.00	0.00	0.00	0.00	0.00
2305.00	2022.51	310.40	279.92	96348.16	78355.21	86887.17
		<b>x=617.06</b>	<b>y=-153.11</b>	<b>x<sup>2</sup>=319086.57</b>	<b>y<sup>2</sup>=932724.31</b>	<b>xy=-143407.17</b>

Here, Number of observation (n) = 5 years

$$\text{Correlation Coefficient (r)} = \frac{n \sum XY - \sum X \cdot \sum Y}{\sqrt{n \sum X^2 - (\sum X)^2 \cdot n \sum Y^2 - (\sum Y)^2}}$$

$$= \frac{5 \times (-143407.17) - 617.06 \times (-153.11)}{\sqrt{5 \times 319086.57 - (617.06)^2 \cdot 5 \times 932724.31 - (-153.11)^2}}$$

$$= \frac{-717035.85 + 94478.06}{\sqrt{1214669.81 - 4640178.88}}$$

$$= \frac{-622557.79}{2374086.18}$$

$$= -0.262$$

Since, the correlation coefficient (r) is - 0.262. We can say that is low degree of negative correlation between sales revenue and cash/bank balance. It means higher the sales revenue lower change in cash and bank balance i.e. decreasing.

**4.9.5 Quality Income Ratio**

This ratio refers to how much cash flow from operations without deducting the interest expenses has been generating out of the net income before interest and depreciation. Higher this ratio indicates good sign of operating performance.

The formula for computing quality income ratio is;

$$\text{Quality income ratio} = \frac{\text{Cash flow from operation} + \text{Interest paid}}{\text{Net income} + \text{Interest exp.} + \text{Depreciation}}$$

The following table shows quality income ratio as :

**Table 4.17**  
**Quality Income Ratio**

<b>Fiscal Year</b>	<b>CFOA</b>	<b>Interest paid</b>	<b>Net Income</b>	<b>Depreciation</b>	<b>Ratio</b>
2062/063	-5388013.00	0.00	-77910296.00	97,698,753.00	-0.27
2063/064	2196271.00	0.00	-125049987.00	84,209,293.00	-0.05
2064/065	66181764.00	0.00	-69536105.00	77,935,895.00	7.88
2065/066	-21190387.00	0.00	-80315343.00	80,530,819.00	-98.34
2066/067	-23544406.00	0.00	-83017420.00	70,149,888.00	1.83
				<b>Average</b>	<b>-17.79</b>

The above table shows that quality income ratio were -0.27, -0.05, 7.88, -98.34 and 1.83 from the FY 2062/063 to FY 2066/067 respectively. The average quality income ratio was -17.79 which indicated that the Corporation had poor operating performance on study period. In the FY 2064/065 the quality income ratio obtained higher than other fiscal year that was 7.88 which indicates good sign of operating performance. In FY 2066/067 also had positive this ratio by 1.83 and rest fiscal year's this ratios were negative.

#### **4.9.6 Capital Expenditure Ratio**

Capital expenditure ratios help to assess whether the company is capable of financing capital investment for growth and renewal after dividend to the owner. It measures the portion of investment supported by operating and financing activities. These ratios are calculated by the following formula;

Cash flow from operations to cash flow from investing activity

$$= \frac{\text{Cash flow from operating activity}}{\text{Cash Flow from Investing activity}}$$

The following table shows the CFOA to CFIA ratio of NTV on FY 2062/063 to FY 2066/067.

**Table 4.18**  
**CFOA to CFIA Ratio**

<b>Fiscal Year</b>	<b>CFOA</b>	<b>CFIA</b>	<b>Ratio</b>
2062/063	-5388013.00	-29440478.00	0.18
2063/064	2196271.00	-34273748.00	-0.06
2064/065	66181764.00	11766592.00	5.62
2065/066	-21190387.00	-56648036.00	0.37
2066/067	-23544406.00	6536448.00	-3.60
		<b>Average</b>	<b>0.50</b>

And, Cash flow from financing activity to cash flow from investing activity

$$= \frac{\text{Cash flow from financing activity}}{\text{Cash Flow from Investing activity}}$$

The following table shows the CFFA to CFIA ratio of NTV on FY 2062/063 to FY 2066/067.

**Table 4.19**  
**CFFA to CFIA Ratio**

<b>Fiscal Year</b>	<b>CFFA</b>	<b>CFIA</b>	<b>Ratio</b>
2062/063	27500000.00	-29440478.00	-0.93
2063/064	45000000.00	-34273748.00	-1.31
2064/065	24000000.00	11766592.00	2.04
2065/066	20000000.00	-56648036.00	-0.35
2066/067	45000000.00	6536448.00	6.88
		<b>Average</b>	<b>1.26</b>

Cash flow from operation to cash flow from investing activity ratio is preferred to be higher than the cash flow from financing activity to cash flow from investing activity. From the comparison of above table no. 4.18 and 4.19 it showed that CFOA to CFIA ratio is higher than CFFA to CFIA ratio in FY 2062/063 to FY 2065/066. These results helps to assess whether the NTV was capable of financing capital investment for growth. But, in FY 2066/067 the ratio of CFOA to CFIA is lower than ratio of

CFFA to CFIA. It showed that NTV was not able to financing capital investment for growth.

#### 4.9.7 Free Cash Flow

Free cash flow is calculated to determine the ability of a firm to retire additional debt and need for a firm to raise additional funds to support current operation and programs. Free cash refers to cash remaining after necessary operating and capital expenditures and debt service payments are covered. Free cash flow can be used to repurchase stock, pay dividends, expand, acquire other business or invest in debt and equity securities. The free cash flow is calculated as under:

Free cash flows = Cash from operation - Cash used for essential investing activity - Cash used for essential financing activity - cash dividend.

Cash from operation should be sufficient enough to pay for necessary investment for expansion, to pay for maturing debt obligations and the expected dividend to shareholders.

The following table shows the Free Cash Flows of NTV on FY 2062/063 to FY 2066/067.

**Table 4.20**  
**Free Cash Flows**

Fiscal Year	Cash From Operation	Cash used for essential investing activity	Cash used for essential financing activity	Dividend Paid	Free Cash Flows
2062/063	-5388013.00	-29440478.00	27500000.00	0.00	-3447535.00
2063/064	2196271.00	-34273748.00	45000000.00	0.00	-8529981.00
2064/065	66181764.00	11766592.00	24000000.00	0.00	30415172.00
2065/066	-21190387.00	-56648036.00	20000000.00	0.00	15457649.00
2066/067	-23544406.00	6536448.00	45000000.00	0.00	-75080854.00
				<b>Average</b>	-8237109.80

The above table shows that free cash flows were Rs. -34,47,535.00, Rs. -85,29,981.00, Rs. 3,04,15,172.00, Rs. 1,54,57,649.00 and Rs. -7,50,80,854.00 from the FY 2062/063 to FY 2066/067 respectively. The average free cash flows was negative by Rs. 82,37,109.80 on study period which indicated that the Corporation had not sufficient cash from operation for necessary investment.



#### 4.10 Regression Analysis :

Regression is a statistical tools used to define relationship between two or more variables and to make estimation of one variable on the basis of the other variables. The closer the relationship between the two variables are more accurate the estimated value is the unknown variable to be estimated is called dependent variable and the known variable is called independent variable. Correlation analysis indicates to what degree the variable are related and regression analysis indicates how the variables are related trend line.

A series formed from a sequence of statistical data arranged in accordance with their time of occurrence is called to be a time series mathematical, a time series is defined by the function relationship  $y=t$  where is the value of lines is taken as an example of time series. The information in statement of cash flows also assists in predicting the ability to generate future cash flows here an effort is made to out the future cash from flows of NTV for the FY 2062/063 to FY 2066/067 for this cash from operating, investing and financing activities were calculated by fitting the straight trend line considering operating, investing and financing activities as dependent variable and sales revenue as independent variable.

##### 4.10.1 Estimation of sales revenue using trend analysis :

Fitting the trend line taking fiscal year (X) as independent variable and sales revenue (Y) dependent variable, future revenue can be predicted as follows;

**Table 4.21**  
**Trend Analysis of Sales Revenue**

*(Rs. in millions)*

Fiscal Year(x)	Sales Revenue (Y)	X=x-2065	XY	X <sup>2</sup>
2063	2451.09	-2	-4902.18	4
2064	1880.12	-1	-1880.12	1
2065	1959.25	0	0.00	0
2066	1994.60	1	1994.60	1
2067	2305.00	2	4610.00	4
	<b>Y=10590.06</b>	<b>X=0.00</b>	<b>XY=-177.70</b>	<b>X<sup>2</sup>=10.00</b>

In the above table, the fiscal year 2063 refers to the FY 2062/063. Similarly the FY 2064 refers the FY 2063/064, 2065 refers 2064/065, 2066 refers to FY 2065/066 and 2067 refers to 2066/067.

The trend line of dependent variable sales revenue (Y) and independent variable fiscal year (X) is expressed by;

$$Y = a + bX \dots \dots \dots \text{equation (i)}$$

Here, no. of year (n) = 5

We know that,

$$b_{yx} = \frac{\sum XY - X \cdot Y}{\sum X^2 - (\sum X)^2}$$

$$a = \frac{Y}{n} - \frac{b \cdot X}{n}$$

Here,

$$\begin{aligned} b &= \frac{5 \times (-177.70) - 0 \times 10590.06}{5 \times 10 - (0)^2} \\ &= -17.77 \end{aligned}$$

Again,

$$\begin{aligned} a &= \frac{10590.06}{5} - \frac{(-17.77) \times 0}{5} \\ &= 2118.01 \end{aligned}$$

Now, Substituting the value of a and b in equation (i),

$$Y = a + bX$$

$$Y = 2118.01 + (-17.77) X$$

The above trend line shows the trend value of sales revenue on FY 2062/63 to FY 2069/70 which are calculated as the following table.

**Table 4.22**  
**Calculation of Trend value Sales Revenue on FY 2062/063 to FY 2069/070**

*(Rs. in millions)*

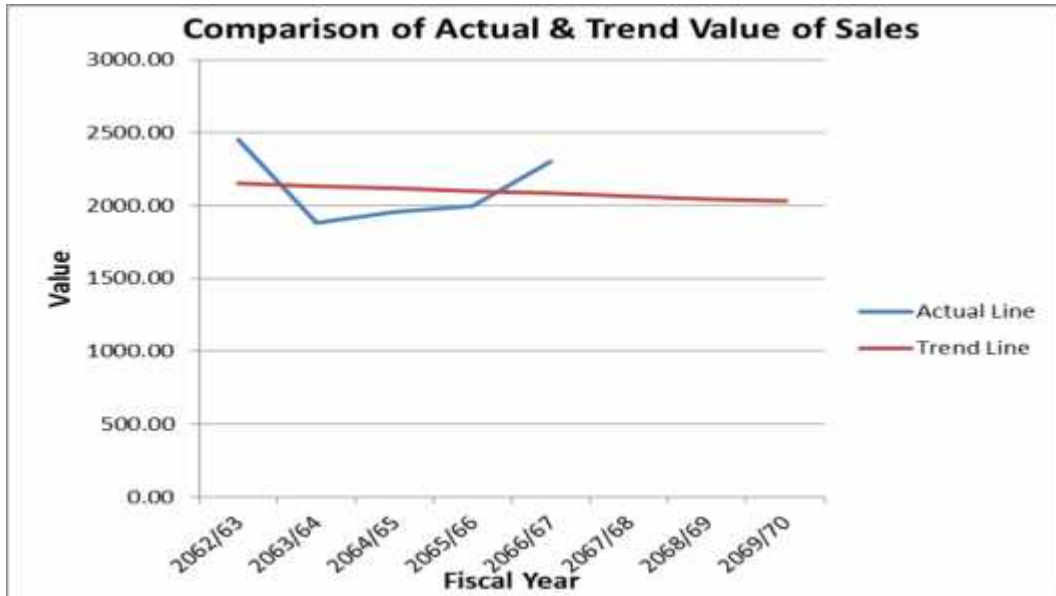
Fiscal Year	X	Yc=a+bx	Trend Value
2062/63	-2	$Y_c=2118.01+(-17.77)(-2)$	2153.55
2063/64	-1	$Y_c=2118.01+(-17.77)(-1)$	2135.78
2064/65	0	$Y_c=2118.01+(-17.77)x0$	2118.01
2065/66	1	$Y_c=2118.01+(-17.77)x1$	2100.24
2066/67	2	$Y_c=2118.01+(-17.77)x2$	2082.47
2067/68	3	$Y_c=2118.01+(-17.77)x3$	2064.70
2068/69	4	$Y_c=2118.01+(-17.77)x4$	2046.93
2069/70	5	$Y_c=2118.01+(-17.77)x5$	2029.16

The above calculated trend value compare with the actual value of sales revenue as the following table and diagram.

**Table 4.23**  
**Comparison of Actual sales value and Trend Value (Rs. in millions)**

Fiscal Year	Trend Value	Actual Value
2062/63	2153.55	2451.09
2063/64	2135.78	1880.12
2064/65	2118.01	1959.25
2065/66	2100.24	1994.60
2066/67	2082.47	2305.00
2067/68	2064.70	
2068/69	2046.93	
2069/70	2029.16	

**Figure 4.15**



The above trend value line of estimated sales revenue is in slowly decreasing trend whereas actual sales revenue line is highly fluctuating trend in FY 2062/63 to FY 2066/67. But the most important fact should be acknowledge about is the above trend line is possible only when there is any risk factors exists. Risk factors refers highly competition with private sectors to collection advertisement. If there exists such a risk factors then the above calculated future sales revenue will be difficult to achieve. In the present scenario, NTV is suffering from unbalance competition to generate advertisement revenue with private sectors. In this context, it will be very difficult to get above mentioned revenue. Thus it can said that if the factors do not exists then above trend of sales revenue can be achieved.

#### **4.10.2 Estimation of CFOA using Regression Analysis :**

Here, CFOA is directly dependent on revenue. so, revenue is considered as independent variable and CFOA as dependent variable.

**Table 4.24**

**Estimation of CFOA by using Regression analysis**

*(Rs. in millions)*

Sales Revenue (X)	CFOA (Y)	X <sup>2</sup>	XY
2451.09	-53.88	6007842.188	-132064.7292
1880.12	21.96	3534851.214	41287.4352
1959.25	661.82	3838660.563	1296670.835
1994.60	-211.90	3978429.16	-422655.74
2305.00	-235.44	5313025	-542689.2
<b>X=10590.06</b>	<b>Y=182.56</b>	<b>X<sup>2</sup>=22672808.13</b>	<b>XY=240548.60</b>

The trend line of dependent variable CFOA (Y) and independent variable sales revenue (X) is expressed by;

$$Y = a + bX \dots\dots\dots \text{equation (i)}$$

Here, no. of year (n) = 5

We know that,

$$b_{yx} = \frac{n \sum XY - \sum X \cdot \sum Y}{n \sum X^2 - (\sum X)^2}$$

$$a = \frac{\sum Y}{n} - \frac{b \sum X}{n}$$

Here,

$$\begin{aligned}
 b &= \frac{5 \times (240548.60) - 10590.06 \times 182.56}{5 \times 22672808.13 - (10590.06)^2} \\
 &= \frac{-730578.35}{1214669.796} \\
 &= -0.60
 \end{aligned}$$

Again,

$$\begin{aligned}
 a &= \frac{182.56}{5} - \frac{(-0.60) \times 10590.06}{5} \\
 &= 1307.32
 \end{aligned}$$

Now, Substituting the value of a and b in equation (i),

$$Y = a + bX$$

$$Y = 1307.32 + (-0.60) X$$

The above trend line shows the trend value of CFOA on FY 2062/63 to FY 2069/70 which are calculated as the following table.

**Table 4.25**

**Calculation of Trend value of CFOA on FY 2062/063 to FY 2069/070**

*(Rs. in millions)*

<b>Fiscal Year</b>	<b>X</b>	<b>Yc=a+bx</b>	<b>Trend Value</b>
2062/63	2153.55	$Y_c=1307.32+(-0.60) \times 2153.55$	15.19
2063/64	2135.78	$Y_c=1307.32+(-0.60) \times 2135.78$	25.85
2064/65	2118.01	$Y_c=1307.32+(-0.60) \times 2118.01$	36.51
2065/66	2100.24	$Y_c=1307.32+(-0.60) \times 2100.24$	47.18
2066/67	2082.47	$Y_c=1307.32+(-0.60) \times 2082.47$	57.84
2067/68	2064.70	$Y_c=1307.32+(-0.60) \times 2064.70$	68.50
2068/69	2046.93	$Y_c=1307.32+(-0.60) \times 2046.93$	79.16
2069/70	2029.16	$Y_c=1307.32+(-0.60) \times 2029.16$	89.82

The above calculated trend value compare with the actual value of CFOA as the following table and diagram.

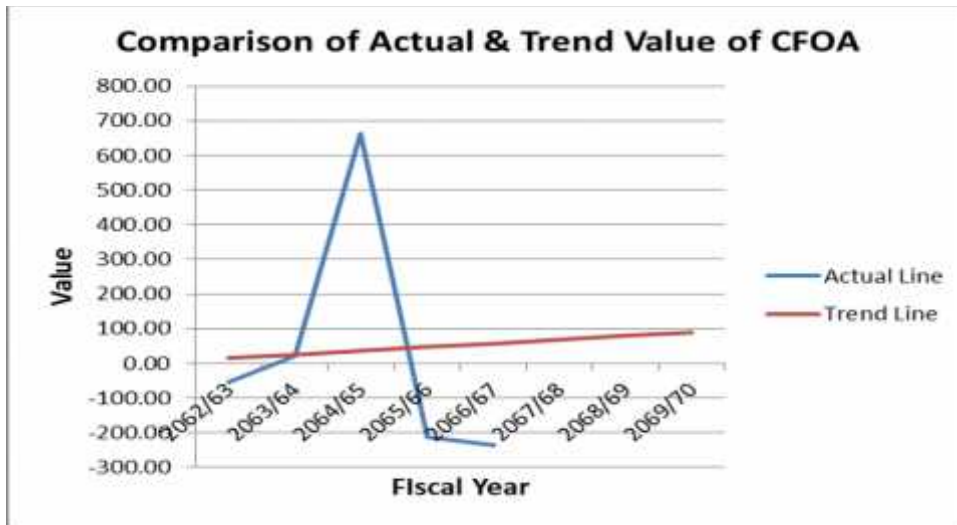
**Table 4.26**

**Comparison between Actual and Trend Value of CFOA**

*(Rs. in millions)*

<b>Fiscal Year</b>	<b>Actual Value</b>	<b>Trend Value</b>
2062/63	-53.88	15.19
2063/64	21.96	25.82
2064/65	661.82	36.51
2065/66	-211.90	47.18
2066/67	-235.44	57.84
2067/68		68.50
2068/69		79.16
2069/70		89.82

Figure 4.16



The above trend value line of estimated CFOA is in slowly increasing trend whereas actual CFOA line is highly fluctuating trend in FY 2062/63 to FY 2066/67. The above trend line of estimated CFOA showed that if all the risk factors do not exist then the future CFOA would be Rs. 68.5 million in FY 2067/068, Rs. 79.16 million in FY 2068/069 and Rs. 89.82 million in FY 2069/070. It means CFOA is increasing trend in future if estimated sales will decrease.

#### 4.10.3 Estimation of CFIA using Regression Analysis :

Here, CFIA is directly dependent revenue, so revenue is considered as independent variable and CFIA as dependent variable.

**Table 4.27**  
**Estimation of CFIA by using Regression analysis**

(Rs. in millions)

Sales Revenue (X)	CFIA (Y)	X <sup>2</sup>	XY
2451.09	-294.40	6007842.19	-721600.90
1880.12	-342.73	3534851.22	-644373.53
1959.25	117.66	3838660.56	230525.36
1994.60	-566.48	3978429.16	-1129901.01
2305.00	65.36	5313025.00	150654.08
<b>X=10590.06</b>	<b>Y=-1020.59</b>	<b>X<sup>2</sup>=22672808.13</b>	<b>XY=-2114695.28</b>

The trend line of dependent variable CFIA (Y) and independent variable sales revenue (X) is expressed by;

$$Y = a + bX \dots\dots\dots \text{equation (i)}$$

Here, no. of years = 5

We know that,

$$b_{yx} = \frac{n \sum XY - \sum X \cdot \sum Y}{n \sum X^2 - (\sum X)^2}$$

$$a = \frac{\sum Y}{n} - \frac{b \sum X}{n}$$

Here,

$$b = \frac{5 \times (-2114695.28) - 10590.06 \times (-1020.59)}{5 \times 22672808.13 - (10590.06)^2}$$

$$= \frac{-10573476.40 - (-10808109.34)}{1214669.85}$$

$$= 0.193$$

$$= 0.20$$

Again,

$$a = \frac{-1020.54}{5} - \frac{0.20 \times 10590.06}{5}$$

$$= \frac{-1020.54 - 2118.01}{5}$$

$$= -627.71$$

Now, Substituting the value of a and b in equation (i),

$$Y = a + bX$$

$$Y = -627.71 + 0.20 X$$

The above trend line shows the trend value of CFIA on FY 2062/63 to FY 2069/70 which are calculated as the following table.



**Table 4.28****Calculation of Trend value of CFIA on FY 2062/063 to FY 2069/070***(Rs. in millions)*

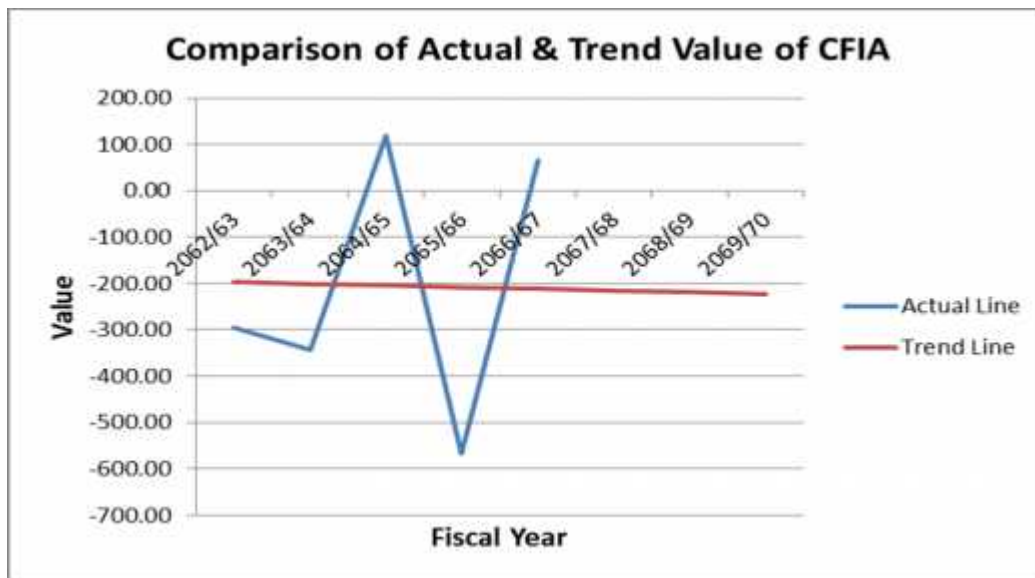
<b>Fiscal Year</b>	<b>X</b>	<b>Yc=a+bx</b>	<b>Trend Value</b>
2062/63	2153.55	$Yc=(-627.71)+0.20 \times 2153.55$	-197.00
2063/64	2135.78	$Yc=(-627.71)+0.20 \times 2135.78$	-200.55
2064/65	2118.01	$Yc=(-627.71)+0.20 \times 2118.01$	-204.11
2065/66	2100.24	$Yc=(-627.71)+0.20 \times 2100.24$	-207.66
2066/67	2082.47	$Yc=(-627.71)+0.20 \times 2082.47$	-211.22
2067/68	2064.70	$Yc=(-627.71)+0.20 \times 2064.70$	-214.77
2068/69	2046.93	$Yc=(-627.71)+0.20 \times 2046.93$	-218.32
2069/70	2029.16	$Yc=(-627.71)+0.20 \times 2029.16$	-221.88

The above calculated trend value compare with the actual value of CFIA as the following table and diagram.

**Table 4.29****Comparison between Actual and Trend Value of CFIA***(Rs. in millions)*

<b>Fiscal Year</b>	<b>Actual Value</b>	<b>Trend Value</b>
2062/63	-294.40	-197.00
2063/64	-342.73	-200.55
2064/65	117.66	-204.11
2065/66	-566.48	-207.66
2066/67	65.36	-211.22
2067/68		-214.77
2068/69		-218.32
2069/70		-221.88

Figure 4.17



The above trend value line of estimated CFIA is in slowly increasing by negative whereas actual CFIA line is highly fluctuating trend in FY 2062/63 to FY 2066/67. The above estimation trend line observed that CFIA from FY 2067/068 to FY 2069/070 would be Rs. -214.77, Rs. -218.32 and Rs. -221.88 million respectively which indicates that if sales is increased CFIA will be decreased.

#### 4.10.4 Estimation of CFFA using Regression Analysis :

Here, Sales revenue is considered as independent variable and CFIA as dependent variable.

Table 4.30

Estimation of CFFA by using Regression analysis

(Rs. in millions)

Sales Revenue (X)	CFFA (Y)	X <sup>2</sup>	XY
2451.09	275.00	6007842.188	674049.75
1880.12	450.00	3534851.214	846054
1959.25	240.00	3838660.563	470220
1994.60	200.00	3978429.16	398920
2305.00	450.00	5313025	1037250
<b>X=10590.06</b>	<b>Y=1615.00</b>	<b>X<sup>2</sup>=22672808.13</b>	<b>XY=3426493.75</b>

The trend line dependent variable CFFA (Y) and independent variable sales revenue (X) is expressed by;

$$Y = a + bX \dots\dots\dots \text{equation (i)}$$

Here, No. of years (n) = 5

We know that,

$$b_{yx} = \frac{n \sum XY - \sum X \cdot \sum Y}{n \sum X^2 - (\sum X)^2}$$

$$a = \frac{\sum Y}{n} - \frac{b \sum X}{n}$$

Here,

$$\begin{aligned} b &= \frac{5 \times 3426493.75 - 10590.06 \times 1615}{5 \times 22672808.13 - (10590.06)^2} \\ &= \frac{29521.85}{1214669.85} \\ &= 0.024 \end{aligned}$$

Again,

$$\begin{aligned} a &= \frac{1615}{5} - \frac{0.024 \times 10590.06}{5} \\ &= \frac{1615 - 254.16}{5} \\ &= 272.16 \end{aligned}$$

Now, Substituting the value of a and b in equation (i),

$$Y = a + bX$$

$$Y = 272.16 + 0.024 X$$

The above trend line shows the trend value of CFFA on FY 2062/63 to FY 2069/70 which are calculated as the following table.

**Table 4.31**

**Calculation of Trend value of CFFA on FY 2062/063 to FY 2069/070**

*(Rs. in millions)*

<b>Fiscal Year</b>	<b>X</b>	<b>Yc=a+bx</b>	<b>Trend Value</b>
2062/63	2153.55	$Yc=272.16+0.024 \times 2153.55$	323.84
2063/64	2135.78	$Yc=272.16+0.024 \times 2135.78$	323.42
2064/65	2118.01	$Yc=272.16+0.024 \times 2118.01$	322.99
2065/66	2100.24	$Yc=272.16+0.024 \times 2100.24$	322.57
2066/67	2082.47	$Yc=272.16+0.024 \times 2082.47$	322.14
2067/68	2064.70	$Yc=272.16+0.024 \times 2064.70$	321.71
2068/69	2046.93	$Yc=272.16+0.024 \times 2046.93$	321.28
2069/70	2029.16	$Yc=272.16+0.024 \times 2029.16$	320.86

The above calculated trend value compare with the actual value of CFFA as the following table and diagram.

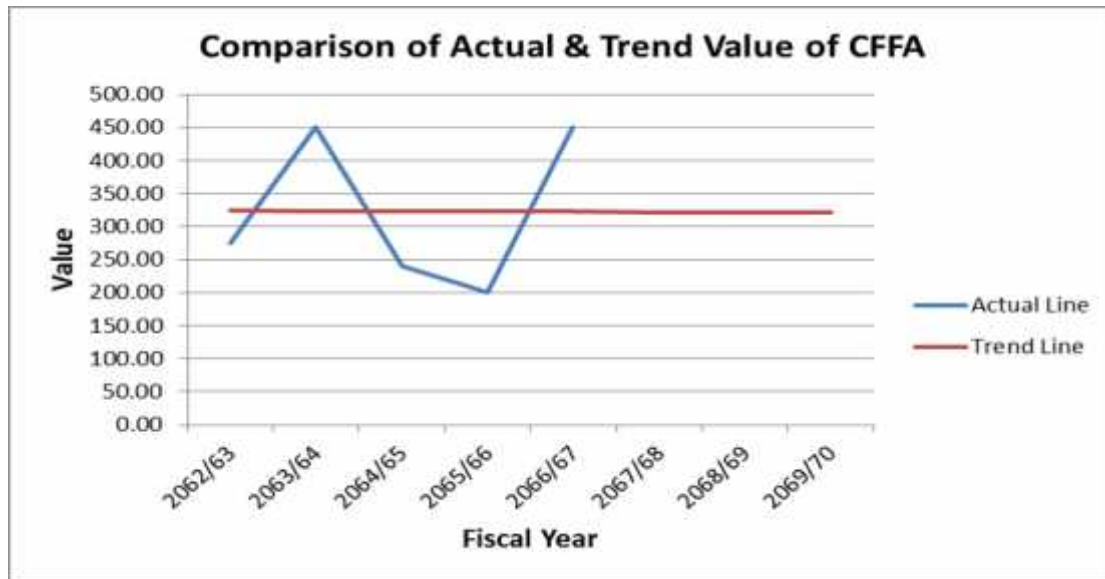
**Table 4.32**

**Comparison between Actual and Trend Value of CFFA**

*(Rs. in millions)*

<b>Fiscal Year</b>	<b>Actual Value</b>	<b>Trend Value</b>
2062/63	275.00	323.84
2063/64	450.00	323.42
2064/65	240.00	322.99
2065/66	200.00	322.57
2066/67	450.00	322.14
2067/68		321.71
2068/69		321.28
2069/70		320.86

**Figure 4.18**



The above trend line of estimated CFFA is in very slowly decreasing whereas actual CFFA line is highly fluctuating trend in FY 2062/63 to FY 2066/67. The above table and trend line noted that CFFA the FY 2067/068 Rs. 321.78 million, in FY 2068/069 Rs. 321.28 million and in FY 2069/070 it would be Rs. 320.85 million. It signifies cash is going to be generated cash from financial activity will also decreased above value of determination without consideration risk factors. If risk factors is exists in the future above calculated value might be changed.

#### **4.11 Major Findings :**

The major findings drawn after detail analysis of cash flow of NTV are presented below:

- Analysis of cash flow from operating activities shows that NTV had fluctuating trend of CFOA.
- Analysis of cash from investing activities shows that NTV had excessive investment in under fixed assets.
- Analysis of cash flow from financing activities shows that NTV had been dependent on government share capital for its expansion work.
- Analysis of net cash flows showed that NTV had maintained optimum cash balance except FY 2062/063 and FY 2065/066.
- Analysis of Profit and Loss showed NTV had been continuously is in loss for the study period.

- NTV was suffering from loss in FY 2062/063 to FY 2066/067 as shown by P/L account. However, cash flow statement indicates there was cash inflow from operating activities in FY 2062/063, FY 2064/065 and FY 2066/067. It is because P/L account includes non operating expenses where as cash flow statement excludes all such items.
- Analysis of cash and bank balance showed that NTV was holding cash inconsistently and utilizing is not properly. There was very fluctuating in the cash which might not be in favor to the Corporation.
- Studied of cash flow adequacy ratio of NTV showed it had average ratio - 0.23 which means ability of produce cash flow from operating activities was lower than cash requirement.
- Average reinvestment ratio was 1.45 which means NTV had capability of purchase its fixed assets out of its cash flow from operation.
- Average of cash flow on revenue or cash flow margin ratio was 0.02 which means cash outflow for operation was 98% of revenue.
- There was low degree of negative relationship between sales revenue and cash flow from operating activities which means if sales revenue increases CFOA is decreases but perhaps there is no evidence.
- Average cash flow to net income or cash realization ratio was - 0.07 which means cash inflow was partially possible despite of the net loss.
- The correlation between net profit and CFOA was positive and significant which means if profit increases than CFOA is also increases but perhaps there is no evidence.
- Average ratio of cash flow return on assets ratio was 0.003 which means cash inflow utilization of its assets was only 0.3 %.
- Average ratio of cash flow liquidity ratio was 0.87 which means NTV's ability to pay short term debt was only 87% of total current liabilities.
- Average ratio of cash turnover ratio was 0.82 which means cash generated out of sales was only 82%.
- The average quality income ratio was -17.79 which indicated that the Corporation had poor operating performance on study period. In the FY

2064/065 the quality income ratio obtained higher than other fiscal year that was 7.88 which indicates good sign of operating performance. In FY 2066/067 also had positive this ratio by 1.83 and rest fiscal year's this ratios were negative.

- From the analyze of capital expenditure ratio, it showed that CFOA to CFIA ratio is higher than CFFA to CFIA ratio in FY 2062/063 to FY 2065/066. These results helps to assess whether the NTV was capable of financing capital investment for growth. But, in FY 2066/067 the ratio of CFOA to CFIA is lower than ratio of CFFA to CFIA. It showed that NTV was not able to financing capital investment for growth.
- The average free cash flows was negative by Rs. 82,37,109.80 on FY 2062/063 to FY 2066/067 which indicated that the Corporation had not sufficient cash from operation for necessary investment.
- Past cash flows of NTV have significant predictive power in analyzing cash flows.
- Cash at end for the period is positive for all fiscal year but the amount is on fluctuating.

## CHAPTER - V

### SUMMARY, CONCLUSION AND RECOMMENDATIONS

#### 5.1 Summary

NTV is one of the reputed public service corporation of Nepal. It had been providing various program and news from past two and half decades. NTV had been trying itself as a capable institution by accessible in the mountainous, hilly and terai belts of the country and out of the country. For effective performance NTV needs to generated sufficient amount of cash which is considered as the lifeblood of enterprises. Without cash no activities can take place. So, the enterprises must have an adequate amount of cash to operate. It is also important to know the cash position of an organization, Cash flow studies provide useful information to evaluate an organization's ability to use sufficient cash on both short term and long term basis. It is the analysis of events and transactions that affects the cash position of an organization. Cash flow studies were done through statement of cash flows. The cash flow statement is the accounting report that provides information about cash receipts, cash payments and net change in cash flows. The cash balance during the period, the main objective of the cash flow statement is to convey information about the cash receipts and cash payments of an organization during the accounting period. It is important and useful to every firm, Short and long term creditors, investors and management.

The balance sheet, P/L account and retained earnings statement do not always show the whole financial condition of a company. The balance sheet shows the variety of assets owned by a company and the manner in which they were financed at the end of period. But the sources of activity related to those items during the period are not provided. Also profit in the P/L account does not reflect separately on P/L account and Balance sheet respectively. This cause misleading and confusing results to users. That is why, it is important to prepare cash flow statement to ascertain true and fair figure of cash inflow and outflows and important to analyzes it to find out the actual cash position of the organization.



For the purpose of conducting this study, data covering from the FY 2062/063 to FY 2066/067 were used cash flow statement for every fiscal year prepared to find out cash inflow and outflow from operating, investing and financing activities from cash flow statement. It was observed that net cash from operating and financing activities were positive and due to more investment in fixed assets, net cash from investing activities were negative. Furthermore various cash flow ratios and statistical tools were used to evaluate cash. The cash and bank balance of NTV was satisfactory during the study period. The Corporation was not able to generate sufficient cash inflows from its operating activities. The amount of net cash provided by operation was not adequate to supports the planned organizational operating activities. During study period, it was observed that NTV had been facing many problems such as more amount of account receivable, high operating expenses, less utilization of capacity or resources etc. which were the major causes of high loss. If it can be properly controlled then there would be profit.

## **5.2 Conclusion**

After analyzing cash flow of NTV, the following conclusions are made :

Through P/L account NTV showed loss figure, cash flow statement showed NTV had been achieving profit in some fiscal year. It was because P/L account included non operating expenses while cash flow statement excludes such expenses. NTV was not fully able to convert its revenue into cash. It was not consistent in generating cash from revenue because it was found that non operating expenses had been increasing every year corresponding to decreasing operating income. NTV was not able to generate adequate amount of cash flow operating activities but some extant it was able to improve its minimum cash position. It was so because NTV had a poor management and strategic policy, due to weak control over purchasing fixed assets had been increasing but cash flow from operating activities were not increasing proportionately which indicates return from its total assets was not satisfactory. NTV had maintained positive and negative CFOA in the study period and it was highly fluctuating. Likewise, the accumulated amount of account receivable which was increases year by year denotes the inefficiency of the corporation to collect its

revenue in time. NTV had invested huge amount on fixed assets but the return from it is very low. Cash flow adequacy ratio indicates that the corporation was not able to generate cash acquire assets.

On the other hand, NTV had ability to pay short term liabilities to some extent but it was not satisfactory due to low liquidity ratio than standard. Ultimately it can be concluded that NTV didn't maintain long run planning and policy regarding investment. NTV was holding cash inconsistently and utilizing it improperly. There was very fluctuation in handling the cash which might not be in the favor of the corporation of the services and excessive cash contribute nothing to the profit. Since, idle cash earns nothing, increasing trend of expenses in every year was another remarkable point for NTV. It hadn't adopted the expenses control measures. NTV failed to analysis its strength, weakness, opportunities and threat deeply though it has been facing competition with private sectors Television and it not yet made assessment of its present prospect and future potentiality seriously. Though NTV had broad market and coverage area than other Television channel. It was not able to achieve on its goal to unstable government and political interference of government.

### **5.3 Recommendation**

After the detail analysis of cash flows of NTV, the following recommendations can be made;

- Cash sufficiency wasn't satisfactory. NTV has a low capability to acquisition of assets because of excessive cash flows. NTV should give first priority in collecting its receivable collection policy should not be affected by political pressure.
- Purchase of assets was the main aspect of cash outflow. NTV should stress on overhauled acquisition of assets and emphasized on efficient utilization of its assets. NTV should do a complete package of feasibility studies of project and invaluable with alternative before making capital investment.

- NTV was in loss excess of non operating expenses were reason behind this. Controllable expenses should be controlled strictly. NTV should control its operating expenses on the basis of allocated budget out the year.
- Cash flows return were inefficient, cash generated out of the net profit was almost negative. To control cash return on net profit, it is almost required to control administrative and operative expenses.
- Cash flow return on assets was very low (0.3%), which indicates NTV had failed consistently to generated cash from its assets. It also indicates that NTV had a poor management and weak strategic sources of property management. So, NTV should proper management of its assets.
- Past earning and cash flows have predictive power to predict future cash flows. Therefore, the concerned Corporation must have a knowledge of past earning and cash flows to operate future cash flows.
- Future contingencies and selective cash need should be estimated properly.
- There should make strategic plan to manage working capital because the cause for fluctuation of CFOA is fluctuation on working capital.

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