<center>**Chapter -One**</center>

1. Introduction:-

1.1 Background of the Study

Everest Sugar & Chemical Ltd was established in 2051 B.S. as one of the sugar manufacturing company in Nepal. It is located at Ramnagar VDCs in Mahottari District. The main objective of this company is to Manufacturing sugar to fulfill the need of the people and give employment to numerous unemployed people of the country.

The industry is established under Company act .It was started with small range of product out within 19 years it have good range of Sugar as well as a vast or big area of market. The market of this Sugar is all over the country and outside country through the dealership and sub-dealership. It is assumed as a national product. At Present its annual capacity is three lakhs (3, 00,000/-) quintal sugar and it has only utilized eighty percent of its capacity. The organization has implemented cleaner production practices with the technical help from Nepal; strengthen of environmental administration and management at local level since last year.

Simply, financial analysis is the process of identifying the financial strengths and weakness of the industry by properly establishing relationship between the items of the balance sheet and the profit and loss account. Financial analysis included Profit and loss a/c, Balance sheet, statement of retained earnings and Cash flow Statement. Financial Analysis helps to make long term planning and controlling the level of investment in industry. So, we can compare it from investor's standpoint, predicting the future is useful both as a way to anticipate future conditions and more important, as a starting point for planning actions that will influence the future course of events.

In general, the concept of financial analysis is synonymous with the ratio analysis of the any firm. Many people are interested to know about the financial information and growth of the industry. For this purpose they use financial analysis. Financial analysis measures the liquidity, efficiency, turnover and profitability of the industry. A number of empirical studies have tested for the predictive power of ratio. In most studies, ratio are used to predict the business

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failure. Investor's standpoint, predicting the future is what financial statement analysis is all about. . However, its role is most important in sugar & chemical industries since, any error in any component of financial ratio analysis halts whole trading process of the firm. It is possible that unprofessional manpower may create problematic environment in the organization. Therefore, the company should appoint the person who has sufficient knowledge in Financial analysis and should properly manage different types of the assets required to met the obligation of the firm smoothly while, the main objective of the Financial ratio analysis is to minimize the overall financial distress condition of the industry.

Financial analysis is the conversion of financial analysis is the conversion of financial data into useful information for decision making. Therefore, virtually any use of financial statements or other financial data for some purpose is financial analysis and essentially, is the primary focus of accounting and finance professionals. Financial analysis can be internal e.g. Decision making and external e.g. comprehensive analysis. The key is how to analysis available data to make correct decision.

Financial analysis is designed to determine the relative strengths and weakness of business operation. It also provides a frame work for financial planning and control. Financial manager need the information provided by analysis both to evaluate the firm's past performance and to map future plans. Financial analyses concentrate son financial statement analysis, which highlights the key aspect of firm's operation.

Financial statement analysis involves a study of the relationship between income statement and balance sheet accounts. How these relationship changes over time and how a particular firm compares with other firms in its industry.

Ratio analysis is a widely used fool of financial analysis The ratio describe the significant relationship that exists between figure shown on a balance sheet and income statement or any part of a financial statement.

1.2 Focus of the Study

Financial analysis is the process of analyzing various items of financial statement of a firm to examine its corporative strengths and weaknesses. It involves analyzing financial statements prepared in accordance with generally accepted accounting principles ascertain information that useful for decision making.

The term ratio analysis is the analysis the strength and weakness of industry. Financial ratio are the major tools of identify the position of industry and compare of other industry.

Financial ratios are important tools of financial analysis. These ratio are used to quantify the relationship between two or more sets of financial data taken either from income statement or from balance sheet or from both. They provide information relation to strengths and weaknesses on various aspects of the firm's performance and status. For example a firm many be able to generate Rs. 5 million net income after tax in a year, but we cannot justify whether this amount of net income is adequate or not for the firm unless we relate this figure to some other data. Thus financial ratio is used to quantify the relationship between two sets of financial data and is considered important tools of analyzing financial statement of a firm.

In the present study an attempt is made to focus light on the importance of proper management of financial analysis and how to manage the same in Everest Sugar & Chemical Industries private Limited.

In Nepal trading organization the management of financial analysis is not give due important most of the entrepreneur that not think and consider of financial position. Lack of financial knowledge is not management of industry.

So financial manager most need to bread and widely knowledge of financial analysis.

The Government of Nepal (G/N) describes to see the profit making organization. If they are clear that the payment made by them as tax (Directs & indirect) and dividend is helpful in the economic and social development programmers. The unemployment problem can be solved to greater extent. More and more reserves can be formed there by and be used for reinvestment purpose.

Everest sugar & chemical Industries Pvt. Ltd. Incorporated in B.S. 2051 under company act. This is the first private sugar industry established in Nepal. The main objective of the company is to manufacture sugar and market them in and outside the country. Everest sugar & Chemical Industry Limited since them.

Has been playing impotent role in the economy of Nepal as to Manufacturing enter pries in the private sector. At present its annual capacity is Three Lakhs (3, 00000) quintal sugar and it has only utilized eighty percent of its capacity. Therefore Everest mill should maintain strong financial position for expansion of its figure programme as well as to contribute to the government treasury.

1.3   Statement of the Problem:-

Financial ratio analysis plays vital role in long run analysis and decision making. One cannot estimate the accurate need of investment in any organization. Financial ratio analysis is designed to determine the relative strengths and weakness of business firm. Financial managers need the information provided by analysis both to evaluate the firm's past performance and to map future plans. Financial analysis concentrates on financial statement analysis, which highlights the key aspect of operatio of the organization.

Nepalese Sugar Companies are still facing the problem of Financial Ratio analysis management due to the little knowledge of Financial Ratio

analysis and unprofessional manpower. Every investor wants to earn return from their investment. So, every organization should make profit for its owner. Profit is not only one indicator of proper management of good financial analysis. There are several indicators of financial ratio analysis. So, this study, basically tried to find out its issue of financial ratio analysis of Sugar & Chemical Ltd companies. Everest Sugar & Chemical Ltd is taken as sample Sugar & Chemical Ltd companies.

The following issues is analyzed and examine for the purpose of this study.
- What are the major factors affecting the management of financing in Everest Sugar & Chemical Ltd?
- What is the liquidity position of the Everest Sugar & Chemical Ltd.?
- How working capital is being financed in Everest Sugar & Chemical Ltd?
- What is the profitability position of Everest Sugar & Chemical Ltd?
- What is the management's attitude towards risk?
- How is the Everest Sugar & Chemical Ltd being able to utilize its current assets Properly?

1.4 Objective of the study.

The main objectives of the study is as follows:-
- To present overall picture of Financial Position of Everest Sugar & Chemical Ltd.
- To examine the relationship between liquidity, efficiency, turnover and profitability of Everest Sugar & Chemical Ltd.
- To know whether the company has maintained optimum level of working capital, investment or not.
- On the basis of analysis, provided appropriate recommendation and suggestions for the improvement of financing management of Everest Sugar & Chemical Ltd in future.

1.5   Significance of the study.

The ratio analysis is the important tool of the financial analysis of the any firm. Many people are interested to know about the financial information and growth of the firm. Therefore, it is felt significant to the management to be more concentrating in the area of financial ratio analysis. The study is expected to fill research gap and add to the inputs to financial literature relating the financial analysis. The research findings may be valuable to this respective company taken as sample companies. It is helpful to aware the shareholders regarding financial ratio analysis i.e. liquidity, efficiency, turnover and profitability position of the company. It is useful to policy makes to formulate policy by new findings. Similarly, customers, financing agencies, stock exchanges and stock traders, interested person and expert may also take benefits from this study. Finally, it will support the future researcher by providing important findings and valuable information regarding the financial ratio analyzer in Sugar & Chemical Ltd Company.

1.6   Limitation of the study.

This research study will not free from limitation. There are some limitations while making analysis. Basically shortage of time, reliability of statistical tool used and lack of research experiences are the main limitations. Some other limitations is as follows:-

- The study penal covers data for 2063 to 2069 B.S.
- All the data are secondary in nature. Mostly published financial document like balance sheet, Profit and loss account and other related journals, magazines, reliability of secondary data.
- This study is mainly focused with the financial ratio analysis (Financial Position) of Sugar & Chemical Ltd companies.
- This study is done for the partial fulfillment of MBS program of T.U.

1.7   Chapter Scheme of the studies (organization of the study)

The study is divided into five different segments to make the study more systematic. The contents of each of the chapters of this study are briefly mentioned here.

Chapter one: - This chapter is describes the general background, brief profiles of the companies, statement of problem, objectives of the study, significant of the study and limitation of the study.

Chapter Two: - This chapter is contains the theoretical analysis and brief review of related literature available. It also includes a discussion on the conceptual reviews as well as review of major studies in general.

Chapter Three: - This chapter is deals with the research methodology, which consists of research design, source of data and information along with different analytical financial as well as spastically tools, which have been applied in the study.

Chapter Four: - This chapter is deals with data collection procedures presentation and analysis of data by using different financial and statically tools and techniques.

The last chapter is included summary, findings, conclusions and recommendations. The bibliography and appendices are incorporated in the end of the study.

Chapter — Two
Review of Literature

2.1 Meaning & concept of Financial Analysis

Every business needs finance for starting and beginning of business and industries. Financial ratio are important tools of financial analysis. These ratio are used to quantify the relationship between two or more sets of financial data taken either from income statement or from balance sheet or from both.

Financial analysis provide information relation to strengths and weaknesses on various aspects of the firm's performance and status.

Ratio is the numerical or an arithmetical relationship between two figures. It is expressed when one figure is divided by another. It helps to measure profitability, solvency and performance of any business firm. It facilitates the decision makers to take the appropriate decisions based on different ratio.

Thus, financial ratio are used to quantify the relationship between two sets of financial data and are considered important tools of analyzing financial statements of a firm.

2.2 Classification of Financial Ratio analysis

Financial ratio may be grouped into the following five types as follows.

2.2.1 Liquidity Ratio

Liquidity ratio measure a firm's ability to pay its short-term obligations out of current or liquid assets. These ratio focus on current assets and liabilities. The two primary ratio used to test the liquidity of a firm are current ratio and quick ratio.

2.2.1.1 Current Ratio

A current ratio is the quantitative relationship between current assets and current liabilities. Current ratio is calculated as follows:-

$$\text{Current ratio (CR)} = \frac{Current\ Assets\ (CA)}{Current\ Liabilities\ (CL)}$$

2.2.1.2 Quick Ratio

Quick ratio, also termed as acid test ratio or liquid ratio is another measure of short term solvency of a firm. Quick ratio is defined as the quantitative relationship between quick assets and current liabilities.

$$\text{Quick Ratio (CR)} = \frac{Quick\ Assets\ (QA)}{Current\ Liabilities\ (CL)}$$

2.2.2 Assets Management Ratio

Assets management ratio are also known as turnover ratio or activity ratio or activity ratio or efficiency ratio. Asset management ratio include the following:-

2.2.2.1 Inventory Turnover Ratio

Inventory turnover ratio (ITOR) measures how a firm's average inventory is capable of generating sales. It is the test of the liquidly of firm's investment in inventories.

$$\text{ITOR} = \frac{Cost\ of\ goods\ sold}{Average\ inventory}$$

$$\text{ITOR} = \frac{Sales}{Inventory}$$

2.2.2.2 Receivable Turnover Ratio

Receivable turnover ratio (RTOR) measures how many times the accounts receivable turnover occur during the year.

$$RTOR = \frac{Annual\ Credit\ sales}{Average\ Account\ Receivable}$$

2.2.2.3 Day sales Outstanding

Day's sales outstanding (DSU) is closely related to the receivable turnover ratio and is also known as average collection period (ACP)

$$DSO = \frac{Receivables}{Average\ sales\ perday}$$

$$or\ DSO = \frac{Receivables \times 360\ days}{Annual\ sales}$$

$$Or,\ DSO = \frac{360\ days}{RTOR}$$

2.2.2.4   Fixed Assets Turnover Ratio

Fixed assets turnover ratio (FATOR) indicator the firm's ability to generate sales based on its various fixed assets like, plant & equipment, land 2 building, long

$$FATOR = \frac{Sales}{Netfixed\ assets}$$

2.2.2.5 Total Assets turnover Ratio

The total assets turnover ratio (TATOR) measures the firm is using its fixed assets not as efficiency as other firm in the industry.

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

2.2.3 Debt Management Ratio's

The debt management ratio also known as leverage ratio. Indicate the extent to which debt financing is being used by a firm.

2.2.3.1 Debt Asset Ratio

The debt = assets ratio (DA), simply known as debt ratio, shows the proportion of total debts used in financing total assets of a firm.

$$\text{DA Ratio } = \frac{Total\ debt}{Total\ asset}$$

2.2.3.2 Debt Equity Ratio

Debt equity (DE) is the most widely used leverage ratio to evaluate the long-term solvency of a firm.

$$\text{DE Ratio} = \frac{Total\ debt}{Total\ equity}$$

2.2.2.3 Long Term debt to Total Assets Ratio

Long term debt to total assets ratio represents the relationship between long-term debts to total assets of a firm.

$$\text{Long term debt ratio } = \frac{Long\ term\ debt}{Total\ assets}$$

2.2.2.4 Equity Multiplier

The equity multiplier (EM), also known as the leverage factor, simple states the relationship of total assets to equity of a firm.

$$\text{EM} = \frac{Total\ assets}{Total\ equity}$$

2.2.2.5 Interest Coverage Ratio

The interest coverage ratio, also known as times-interest earned (TIE) ratio, measures the extent to which interest on debt capital is covered by EBIT.

$$\text{TIE Ratio} = \frac{EBIT}{Interest\ expenses}$$

2.2.2.6 EBITDA Coverage Ratio

Earnings before interests, taxes, depreciation and amortization (EBITDA) coverage ratio evaluate the firm's debt serving capacity out of all the cash flow available to service debt.

$$\text{EBITDA Coverage Ratio } = \frac{(EBITDA + lease\ paymen}{interst + lease\ payment + principle\ repayment}$$

2.24 Profitability Ratio.

Profitability the end result of a number of corporate policies and decisions. It measures how effectively the firm is being operated and managed.

2.2.4.1 Net profit Margin

Net profit margin is the ratio between net income and sales of a firm.

$$\text{Net profit Margin} = \frac{Net\ income}{sales}$$

2.2.4.2 Gross Profit Margin

It is the ratio between gross profit and sales of firm.

$$\text{Gross profit Margin} = \frac{Gross\ profit}{Sales}$$

2.2.4.3 Operating profit Ratio

Operating profit ratio (OPR) shows the relationship between operating profit and sales indicater efficiency of firm.

$$\text{OPR} = \frac{Operating\ profit}{Sales}$$

2.2.4.4 Basic Earning Power Ratio

This is the ratio of firm's earnings before interest and tax and total assets.

$$\text{Earning Power} = \frac{EBIT}{Total\ assets}$$

2.2.4.5 Return on Assets

The return on assets (ROA) which is often called the firm's return on total assets measures the overall effectiveness of management in generating profit with its available assets.

$$ROA = \frac{Net\ income}{Total\ assets}$$

2.2.4.6 Return on Equity

The return on equity (ROE) measures the return on the owner's investment in firm.

$$ROE = \frac{Net\ income}{Total\ equity}$$

2.2.5 Market Value Ratio

The market value ratio is used to assess firm's stock price in relation to its earnings and book value of shares.

2.2.5.1 Price Earnings Ratio

Price earnings ratio (PE) is simply the ratio between market price per share and earnings per share.

$$PE\ Ratio = \frac{MPS}{EPS}$$

2.2.5.2 Market to Book Ratio

The market to book ratio is simply the ratio between market price per share to book value per share.

$$Market\text{-}to\ Book\ Value\ Ratio = \frac{MBS}{BVPS}$$

2.3 TREND ANALYSIS

The comparison of ratio for the same firm over the time is called trend analysis. It is also known as the time series analysis. A trend analysis indicates a firm's performance over time and reveals whether its position is improving to other companies in the industry. Trend analysis shown as:-

Graph -1

Chart Title
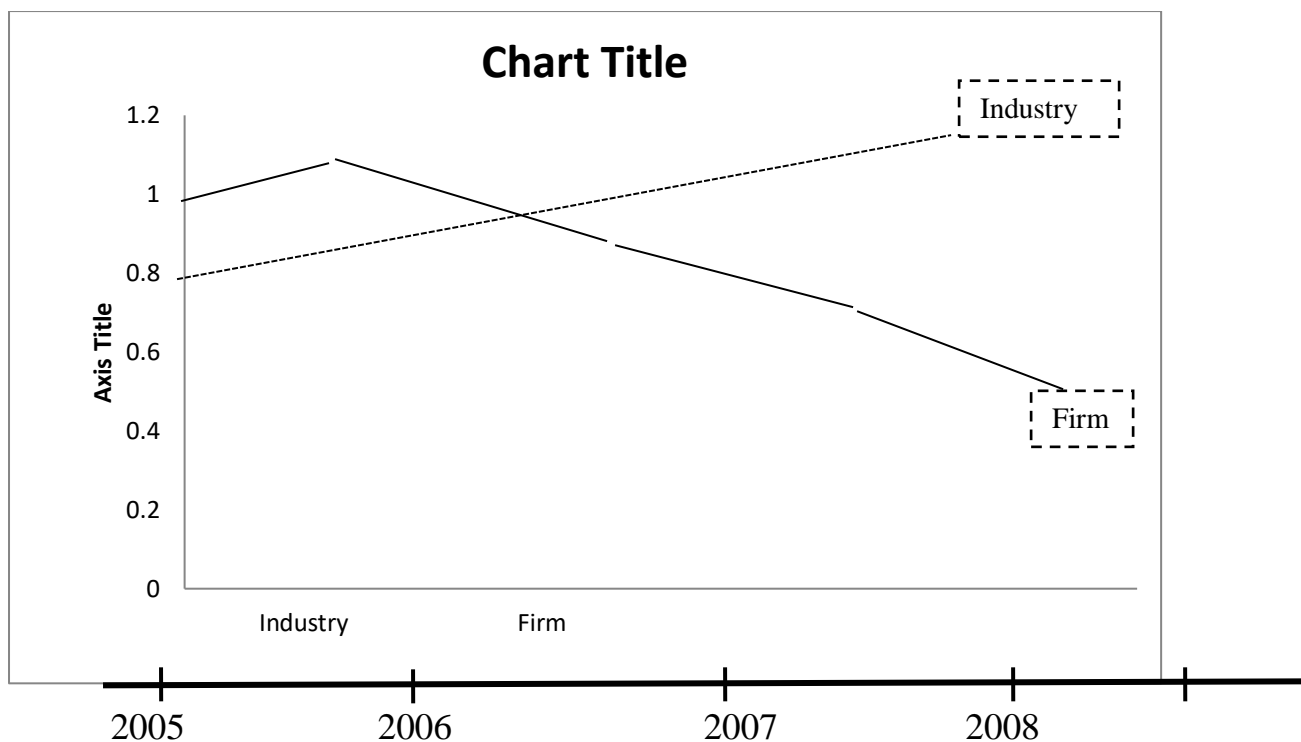
2009

Graph :- 1

Show the trend analysi of return on equity of a firm against the industry average. The trend covers the period over the year 2005 to 2009. This graphs shows the firm's return on common equitylas been declining 2006. Eventhough the industry average has been relatively inreasing.

2.4 DU PONT SYSTEM OF ANALYSIS

The du pont system of analysis is named for the du pont corporatio, which originally popularised its use. The du pont system merges the income statement and balance sheet into two summary measures o fprofitability, return on total assets (ROA) and return on equitg (ROE)

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                    ┌─────────────────────────────────┐
                    │     Return on Assets (ROA)      │
                    └─────────────────────────────────┘
                                  ▲
           ┌──────────────────────┴──────────────────────┐
  ┌─────────────────┐                          ┌─────────────────┐
  │  Profit Margin  │                          │ Assets Turnover │
  └─────────────────┘                          └─────────────────┘
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│ Net income │ │  Sales   │              │  Sales   │ │ Total Assets │
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      ▲                                                    ▲
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┌────────┐ ┌─────────────┐              ┌──────────────┐ ┌────────────────┐
│ Sales  │ │ Total Costs │              │ Fixed Assets │ │ Current Assets │
└────────┘ └─────────────┘              └──────────────┘ └────────────────┘
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| Operating Expense | Interest | Cash & Bank | Marketable securities |

| Depreciation | Taxes | Account receivable | Inventorie |
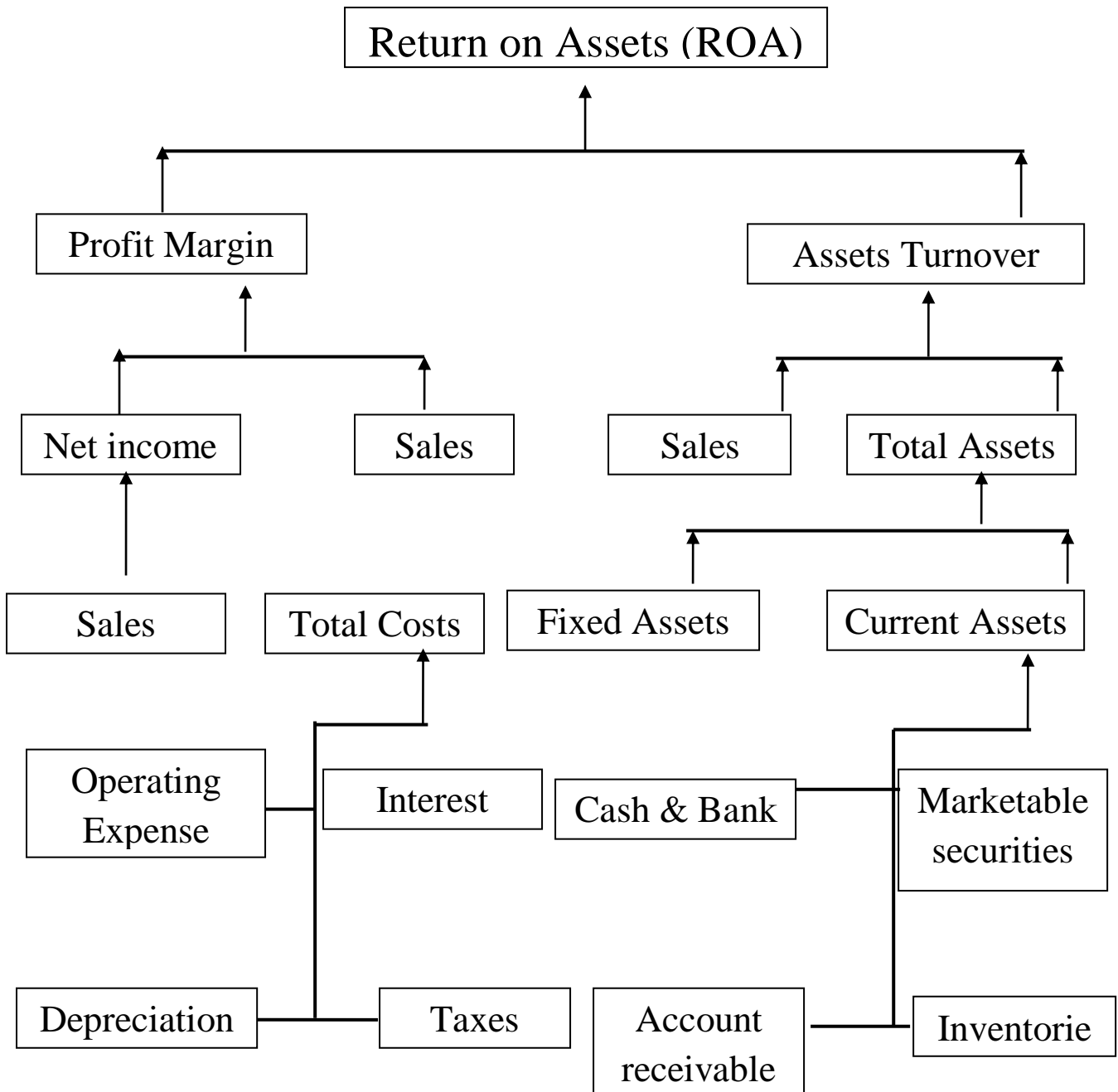
The du Pont system links the net profit margin with its total assets turnover. Du point system divided by tow ratio.

2.4.1 Return on Assets (ROA)

The firm to break down its return on sales and an efficiency of asset use component.

$$ROA = \frac{Net\ income}{Sales} \times \frac{Sales}{Total\ assets}$$

2.4.2 Return on Equity. (ROE)

This formula relates the firm's return on total assets (ROA) to the return on equity (ROE).

2.5   Importance OR Advantages of Ratio Analysis

Ratio analysis stands for the process of determining and presenting the relationship of items and groups of items in the financial statements. The following are the main points to high lights the importance of ratio analysis.

a. Useful in financial position analysis: Ratio reveal the financial position of the concern. It helps the banks, insurance, companies, and other financial institutions in lending and making investment decision.

b. Useful in simplifying accounting figures: - Ratio simplify summaries and systematize the accounting figures in orders to make them more under stable.

c. Useful in assessing the operatioal efficiency: - Ratio help to have an idea of the working of concern.

d. Useful in forecasting purposes:- Ratio analysis is very much useful in financial forecasting and planning.

e. Useful in locating weakness of the business:- financial ratio are of great assistance in locating the weaknesses of the business even though the overall performance may be efficient.

f. Useful in comparison of performance:- financial ratio facilitate the comparison between one with another firm in order to evaluate the financial performance.

2.6   THE FINANCE FUNCTIONS

The functions of finance are the planning procurement and utilization of fund in such a way that maximizes the efficiency of the organization's operatio. The functions of financial management can be studied in detail by classifying it into two broad groups.

2.6.1 Executive finance Functions.

Executive finance functions includes all crusial decision of financial management. The basic finance functions are as under.

2.6.1.1 Investment Decision:- Financial managers is concerned with investment decision. Investment decision most commonly Knowles capital budgeting decisions or long-term assets mix decisions.

2.6.1.2 Financing Decision:- Financial manager is concerned with, where, and how to acquire funds to meet the firm's investment needs.

2.6.1.3 Dividend Decision:- The financial manager is concerned with dividend decisions. The financial manger must decide whether the firm should distribute all profit, retain them, or distribute a portion and retain he balance.

2.6.1.4 Working Decision: - Financial manager should manage the liquidity position of his firm. Current assets should be managed efficiency for safeguarding the firm against the dangers of illiquidity and insolvency.

2.6.2 Incidental Finance Functions:-

Clerical types of routine work, which are carried out by junior employees under finance department and which ae of regular nature are known as incidental finance functions such functions are listed as under.

a. Supervision of cash receipt and disbursements and the safeguarding of cash balance.

b. Custody and safeguarding of securities, insurance policies and other valuable documents.

c. Taking care of mechanical details of financing

d. Record keeping and reporting.

e. Supervision of fixed and current assets.

CHAPTER — THREE
RESEARCH METHODOLOGY

3.1 Introduction:

Research methodology is known as the research method or technique and the process of arriving at the solution of the problem though planned & systematic dealing with collection analysis & interpretation of the facts and figure to use through the entire study.

A systematic methodology is considered as inevitable for achieving true. Better and superior consequences. I very research develops the theory. Theory is the relationship between two facts. Research is connected with investigation inquiry and development of theory.

Thus, Research methodology refers to the various sequential steps to be adopted by a researcher in studying a problem with certain abject in view.

Research methodology basically described the methods. Processes, tools & techniques used in the analysis of data. Arriving at generalization and preparation of report.

Purpose of this chapter is to high light the different methods & conditions that are applied during the present research. It describes research design, nature, & sources of data. Population & sample, data collection procedure, processing procedure and use of analytical tools.

3.2 Research Design:-

Research design is systematic planning, structure & strategy for conduction a particular research work. A research is the arrangement of the conditions for collection and analysis of data in a manner that aims to combine the relevance to the research purpose with economy procedure."

Researches desing is plan, structure and strategy of investigation conceived so as to obtain answer to research Question & to control variance. A

man is the overall scheme or program of research. The structure of the research is more specific. It is the outline, the scheme, paradigm of the operatio of variables. When we draw diagrams that outline, the variable & their relation and junta position, we build structural schemes for accomplishing operatioal research purpose, strategy as used here is also more specific than plan. The study is concerned with past phenomena. So the past information are collected, evaluated, verified & analyzed systematically.

3.3 Nature & sources of data

Generally we can classify the data into primary & secondary. The data which are taken from the interview of the concerned person from the incidental place can be term as primary data. These data are very essential for the research. But the company during the fiscal year 2063/064 to 2068/069 primarily bases this study upon secondary data. Which are publishing. Main source of data is factory office of the Everest sugar & Chemical Industry limited. For the purpose of study mainly secondary dates are used. The data, which are connected from the fiscal year2064/065 to 2069/070, are gathered from the account department of the company in printed form.

3.4 Data Collection Procedure:-

For the study purpose, 5 years audited balance sheets, profit & loss accounts & other related document. Which is secondary in nature are collected from the company. Other necessary information & document related to this study has also been collected for the help of friends & phone from the company.

3.5 Data Processing Procedure:-

The main source of data is the factory building of Everest Sugar & chemical Industry limited. The required 5 year's financial statements are collected directly from the factory & some other relevant information is collected from the office of the management.

The audited financial statements are presented as viewpoint of company management. All required data were available in crude. All crude data are collected & later they are reclassified, re arranged & prepaid as per the requirement of the study.

3.6 Tools & techniques of Financial Analysis:=

To make rational decisions in keeping with the objective of firm, the analysis must have certain tools and technique. The type of tool and technique varies according to the specific objective of the study. So, Analysis is the part of large information processing system on which informed decision can be based selection of appropriate tools and techniques is is essential. Thus, every tools and techniques selected must be appropriate tools & techniques for analysis.

The main objective of this study is to analyze the financial analysis position. There are many tools & techniques to evaluate financial analysis of a firm. Some of them are as follow:-

3.7 Correlation Analysis:-

Correlation analysis is a statistical tool, which studies the relationship between two variables "correlation coefficient summarizes in one figure, the degree and direction of movement. It only helps in deterring the extent to which the two variables are correlate bit it doesn't tell about cause of the effect"[6]

Using Karl Pearson's method of correlation between two variables X and Y can be computed as follows:-

$$R = \sqrt{\frac{NZXY - ZXZY}{NZx2\,(ZX)2}} \sqrt{NZY2 - (ZXY2)}$$

Where

R   Co-efficient of correlation

N   No. of Pairs of Observation

Z &Y Series

The rules of interpreting the correlation coefficient are

1. Where, r 1 it means there is perfect positive relationship between the variables

2. Where r 1 it means there is perfect negative relationship between the variables

3. Where. r 0 means there is no relationship between the variable i.e. the variables are uncontrolled.

3.8 **Trend analysis** :-

The financial amasses the direction of changes over a period of years is of importance. The trend analysis indicated the direction of changes and helps to predict for future decision.

Time series analysis or tread analysis is drawn when a financial analyst measures a firm's performance over a time. Comparison of current to past performance utilizing ratio analysis allows the firm to determine whether it is progressing as planned. Using multi year comparison, we can see developing trends. Knowledge of these treads should assist the firm in planning future operatio. The theory behind trend analysis is that the firm must evaluate in relation to past performance and appropriate action must be taken to direct the firm towards immediately and long term goals.

3.9 **working capital**

Simply a working capital is a circulating capital which is compared. As working capital is the size of investment in each type of current assets each of these current assets should be managed efficiency and effectively. It is because division regarding working capital not only affects profitability of the organization in the short run but it also affects the survival in the long run.

3.10 working capital cash flow cycle

Working capital requirement is basically depends upon the working capital cash flow cycle.

Working capital cycle consists the following terms:-

1. Inventory conversion period.

2. Receivable conversion period.

3. Payable deferral period

4. Cash conversion period/ cash conversion cycle.

   A complete working capital cash flow cycle is given below:-
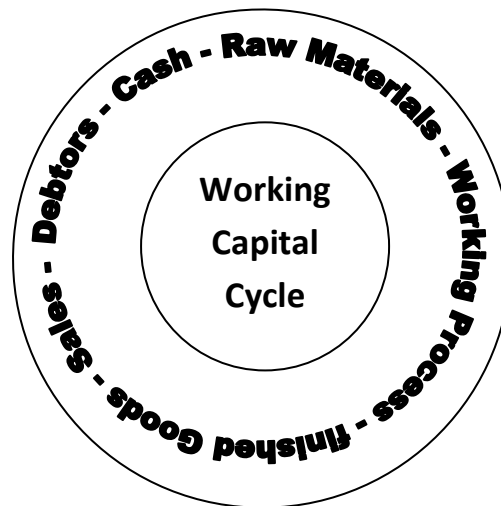
CHAPTER — FOUR
Presentation & Analysis of Data:-

4.1   Introduction:

This chapter has been organized to present, analyze & interpret the result accordingly. The main objective of the study is to have a true in singht into the working capital position of Everest Sugar & Chemical industry limited to pursue the objective. The data collected for the study are presented in tabular from the analyzed with the help of financial analysis.

The data are presented and analyzed to evaluate the working capital position using five years financial statement commencing from 2064/065 to 2068/069. This includes analysis of current assists. Current liabilities,, net working capital, liquidity sources etc. thus this chapter following different chapters.

- Analysis of current assets.
- Analysis of current liabilities.
- Analysis of net working capital
- Size of working capital
- Efficiency of working capital.
- Liquidity analysis.
- Profitability of working capital
- Trend analysis.

4.2   Analysis of current Assets:-

The assets which are expect to convert in each within a year ae known as current assets current assets include cash, Bank advances, debtors, marketable securities. Outstanding, income bills receivable etc, Current assets show the liquidity position of firm. A firm having more investment in current asset has greater liquidity position and vice versa.

The current assets position of Everest sugar & chemical industry limited Ramnagar of 5 years presented below:-

Fiscal year Particular	2064/065	2065/066	2066/067	2067/068	2068/069
Inventory	83803945	191980670	165834569	68480900	227120642
Debtors/ Receivable	24850710	67240827	48908797	19934313	48480506
Cash & Bank / Balance	7179907	2576547	2070247	789786	7484686
Prepaid Expenses	20333831	21308062	19210098	20510348	21290181
Total C.A.	136168339	283106106	36023710	116823424	304376015

Table 4.2 (B)
Current assets of Everest Sugar & Chemical Ltd.

Fiscal year Particular	2064/065	2065/066	2066/067	2067/068	2068/069
Inventory	61.55	67.81	70.26	58.62	74.62
Debtors/Receivable	18.25	23.75	20.72	17.06	15.93
Cash & Bank / Balance	5.27	0.91	0.88	6.76	2.46
Prepaid Expenses	14.93	7.53	8.14	17.56	6.99
Total C.A.	100%	207.91	173.33%	85.79%	223.53%

Above table exhibits investment by Everest Sugar & chemical industry limited in current assets and its constitutes. The Everest sugar & chemical industry limited current assets consist mainly of inventories, debtors & receivable cash & Bank balance and prepaid expenses. It is eerily clears that inventory occupies major share, sundry debtors & receivable in the third rank and rest in cash & Bank balance.

The percentage store of shock or inventory in the total current assets indicates that there is no consistency. Rather exists a bit fluctuation. It adopts some time's increasing and sometimes decreasing trend the % of inventory

seems maximum in fiscal year 2068/069 i.e 74.62% the large % signified a less favorable sing in the sense that move founds are tied up in the forms of stock. The higher % of stock results store stock turnover. So it is not favorable condition.

As compared to the previous components debtors & receivable occupy another major has also increasing and deer casing tern.% of debtors/receivable seems maximum in fiscal year 2065/066 i.e 23.75% debtors & receivable have almost increasing trend than farmer.

The increasing trend of debtors/receivable mainly indicates tow things. First either the volume of sales has been increasing as a result amount of debtor/receivable are increasing or if sales decreases the lower debtor turnover may result in higher % of debtors also reveal in efficiency in uncap ability of collecting debtors and the increasing risk of business enterprises.

The percentage share of prepaid expenses in the total current assets in third rank in the table. It about sometimes increasing and sometimes decreasing trend. % prepaid expenses seems maximum in fiscal year 2068/2069 i.e. 17.56%. the increasing trend of prepaid expenses mainly indicates advances payment of firm has been increasing.

The most liquid form of assets in cash and bank balance in the total current assets fourth rank in the table. Moreover it also discloses the fluctuating nature. Cash and Bank balance in fiscal year 2064/2065, 2065/2066, 2066/2067, 2067/2068 and 2068/2079 are 5.27%, 0.91%, 0.88%, 6.76% and 2.46% respectively.

The sum up the current assets indicated of Everest Sugar and Chemical industry limited depicts their increasing trend when total current assets of 2064/2065 are considered as 100%

4.3   Analysis of current liabilities:-

The Liabilities which are expected to pay with in according period are known as current liabilities current liabilities includes creditors, bill payble.

Note payable, outstanding expenses, advance income, provision etc. The current liabilities of Everest Sugar and Chemical industry limited of 5 years are presented to below.

Table 4.3 (A)

Current liabilities of Everest Sugar and Chemical Limited

(amount in Rs)

Fiscal year Particular	2064/065	2065/066	2066/067	2067/068	2068/069
Creditors/ Amount Payable	66473989	127892373	64384463	77060583	337937084
Total Amount Payable	66473989	127892373	64384463	77060583	337937084

(Source as: appendix-3)

Table 4.3 (A)

Current liabilities of Everest Sugar and Chemical Limited

(amount in %)

Fiscal year Particular	2064/065	2065/066	2066/067	2067/068	2068/069
Creditors/ Amount Payable	100	100	100	100	100
Total Amount Payable	100%	192.39%	96.86%	115.93%	508.37%

In this current liabilities of Everest Sugar & chemical industry limited only on item shown in company's balance sheet i.e. business and other account payable. So total current liabilities means buniness and other accountt payable.

On the whole a curren liabilities of Everest Sugar & chemical industry limited seems increasing and decreasing trend. When the current liabilities of the year 2064/2065 is assumed 100% total current liabities are increasing and

decreasing trend. A farm of increasing is not favorable condition but it indicates that sales turnover is increasing.

4.4   Analysis of net working capital:-

The assets which are expected to convert into cash with in a year are known as current assets. Current assets include cash, bank, marketable securities, debtors, receivable stock, advance expenses etc. the liabilities which are expected to pay with in a year are known as current liabilities. It includes, creditors, payable outstanding expenses advance income etc.

Net working capital is the excess of current assets over current liabilities. Net working capital reflects the liquidity position of the firm as well as its working capacity.

The net working capital of Everest Sugar & chemical industry has been presented below.

Table 4.4 (A)

Current liabilities of Everest Sugar and Chemical Limited

(amount in Rs)

Fiscal year Particular	2064/065	2065/066	2066/067	2067/068	2068/069
Tatal current assets	136168393	283106106	236023710	116923424	304376015
Total un liabilities	66473989	127892373	64384463	77060583	337937084
Net working capital	69694404	155213733	171639247	39762841	33561069

(Source as: appendix-3)

Table 4.4 (A)

Current liabilities of Everest Sugar and Chemical Limited

(amount in %)

Fiscal year Particular	2064/065	2065/066	2066/067	2067/068	2068/069
Total current assets	100	100	100	100	100
Total on liabilities	48.82	45.17%	27.28%	65.96%	111%
Networking capital	51.83%	55.83%	72.71%	34.04%	11%
Indicate net 100% working capital 2065/2065 100%	100%	222.71%	246.27%	57.05%	48.15%

The above table represented the size of net working Everest Sugar and chemical industry limited and its proportion in current assets. Net working capital occupied minor share in working capital trend increased from fiscal year 2064/2065 to 2067/2068 but decreased in 2067/2068 to 2068/2069.

Net working capital in total current assets indicates then is no consistency because percentages net working capital are increased & decreased. Net working capital has decreased in year 2067/2068, 2068/2069. Which show less improvement in liquidity position. Net working capital has increased in 2064/2065 and 2065/2066 which shown improvement in liquidity position its also signifies that the management has sufficient funds available to manage day by day affairs of the company:

4.5 Analysis of size of working capital:-

Size of working capital depends up on the size of current assets & current liabilities. So in this section I have analyzed the size of current assets total assets current assets to sales and net working capital to current assets.

4.5.1 Size of current assets to total assets :-

Ratio of current assets to total assets is the size of current assets to total assets. Higher percentage of current assets in total assets denotes greater liquidity position the firm as well as lower the risk of being in solvent and vice versa. The size of current assets to total assets of Everest Sugar and Chemical Industry Limited is presented in table no 4.5.1

Table 4.5.1

Current assets as percentage to total currents of Everest Sugar and Chemical Industry Limited

(Amount in Rs)

Year	Current assets	Total	Ratio	Ratio in percentage
2064/2065	136168393	589027196	0.2312	23.12%
2065/2066	283106106	652130429	0.4341	43.41%
2066/2067	236023710	647046817	0.3648	36.48%
2067/2068	116823424	504164752	0.2317	23.17%
2068/2069	304376015	434748120	0.70012	70.01%
Total	1076497648	2827117314	-	-
Average	215299529.6	565423462.8	0.3808	38.08%

(source appendix-2)

The above table (4.5.1) represents the proportion of the current investment in Everest Sugar and chemical industry Ltd. For the five year study period. The overall proportion of the current assets to total assets is some time increasing and some times decreasing trend in the fiscal year 2064/2065 the volume of current assets is 136168393/- and 23.12% of total assets. It has increased by 20.29% in 1 the fiscal year 2065/2066, 2066/2067, 2067/2068 respectively. The percentage of current assets is highest in the fiscal year 2067/2068 is 70.01% of its total assets & increased by 46.89% then the fiscal

year 2064/2065. This increase is mainly due to holding of highest inventory. Sundry debtors as well as prepaid expenses. In an average there is 38.08% participation of current assets in total assets & its increasing trend is …………… on an average during the study period.

In order to test the significance of the relationship between current assets & total assets during the study period Karl Pearson's correlation coefficient (r) is calculate in

Correlation coefficient (r)=0.0029

Probable error (P.E.) = 0.3016

The value shown that relation between current assets and total assets during the period of study is positive coefficient of correlation is less than 6 times of P.E. the value of r is also not significant.

4.5.2 Size of current assets to fixed assets:-

The ratio of current assets to fixed assets is known as the size of current assets to fixed assets. Decline in the ratio donates slackness in trading activities & higher mechanization. Or the other hand increment in this ratio signifies argumentation in assets like inventories, debtors etc and intensive use of fixed assets. Therefore increment in this ratio increment in profit and expansion of activities.

The size of current arrests to fixed assets of Everest Sugar and Chemical Industry Limited are presented in table no 4.5.2.

Table 4.5.1

Current assets as percentage to total currents of Everest
Sugar and Chemical Industry Limited

(Amount in Rs)

Year	Current assets	Fixed Assets	Ratio	Ratio in percentage
2064/2065	1361.69	5893.33	0.2622	26.22%
2065/2066	2831.06	4969.17	0.5697	56.97%
2066/2067	2360.24	4754.08	0.4965	49.65%
2067/2068	1168.23	4644.02	0.2516	25.16%
2068/2069	3043.76	4683.09	0.6499	64.99%
Total	10764.98	24243.69	-	-
Average	2152.996	4848.738	0.4440	44.40%

(source appendix-2)

The above table (4.5.1) represents the proportion of current assets investment to fixed assets investment of Everest Sugar and Chemical Industry Ltd. For the five fiscal years fron 2064/2065 to 2068/2069. There is not consistency in ratio of current assets to fixed assets. It is sometime decreasing. It the fiscal year 2064/2059 it is 26.22% and increased by 30.75% in 2065/2066, 23.43 in 2066/2067 38.77 in 2068/2069 and also decreases by 1.06 in fiscal year 2068/2069. The average in the study period is 44.40% The increasing trend of current assets to fixed assets ratio indicates that firm moves to ware Aggressive policy which implies less liquidity & higher risk. The overall ratio shows that the investment in current assets in comparison with fixed assets is not favorable in Everest Sugar and chemical industry limited.

In other to test the significance of the relationship between current assets & fixed assets during the study period Karl person's coefficient of correlation (r) calculated in appendix no. 6 as under.

(Remains)

Coefficient of correlation (r) =0.200

Probable error (P.E.) =0.289

The value shows that there is negative relationship between current assets and fixed assets confident or correlation is also not greater than 6 P.E. So value of r is also not significant.

4.5.3 Sizes current assets to sales:-

Ratio of current assets to sales is known as size of current assets to sales Higher percentage of current assets to sale denotes greater liquidity position of the firms as well as lower risk of involvement and vice versa.

The size of current assets to sales of Everest Sugar & chemical Industry Limited are presented below in table 4.5.3

Table 4.5.3

Current assets as percentage to total currents of Everest Sugar and Chemical Industry Limited

(Amount in Rs)

Year	Current assets	Sales	Ratio	Ratio in %
2064/2065	1361.69	3914.87	0.3478	34.78%
2065/2066	2831.06	4945.84	0.5724	57.24%
2066/2067	2360.24	5222.30	0.4519	45.19%
2067/2068	1168.23	5700.48	0.2049	20.49%
2068/2069	3043.76	5022.85	0.606	60.6%
Total	10764.98	2406.34	-	-
Average	2152.996	4961.268	0.434	43.40%

(source appendix-1&3)

The above ratio represents the proportion of current assets investment to sales of Everest Sugar and chemical industry limited for the five fiscal year from 2064/2065 to 2068/2069.

There is no consistency in ratio of current assets to sales. It is sometime increasing and some time decreasing.

In the fiscal year 2064/065 it is 34.78% and increased in 2065/2066 to 57.24% increasing in 2066/2067 to 60.6% increased in 2067/2068 to 45.19% and gradually decreased to 20.49 in 2068/2069. The average increase ratio in the period is 43.40%. the percentage current assets to sales in highest i.e. 60.6% in fiscal year 2068/2069 and minimum in 2068/2069 i.e. 20.48. the overall ratio shown that the investment in current assets in comparison with its salsas in not tarozable in Everest Sugar and chemical industry limited.

In order to rest the relationship between current assets & sales at Everest Sugar and chemical industries limited during 5 years period. Karl person's correlation coefficient 'r' is calculated in appendix 7 and results are as follows:

Probable error (P.E.)=0.229

The correlation coefficient between current assets & sales during the study period is positive i.e. there is positive relationship between current assets and sales. Since value of r is not greater than 6 P.E. So the relationship is not considered to be significant.

4.5.4 Size of net working capital to current assets:-

Net working capital represent the position of current assets. Which the firm has to finace either from long term funds or a bank borrowing.

A firm's net working capital position in not only important as index liquidity but it is also used a measure of the firms risk in this regars means chances of the firm being unable to meet its obligation on due date.

Size of net working capital to current assets means the ratio of net working capital to currents assets represents greater liquidity position of the firm and vice versa. The size of net working capital to current assets of Everest Sugar and chemical industry limited has been presented below in table no 4.5.4

Table 4.5.4

Everest Sugar and Chemical Industry Limited net working capital to current assets

(Amount in Rs100000)

Year	Net working capital	Current assets	Ratio	Ratio in %
2064/2065	696.94	1361.69	0.5118	51.18%
2065/2066	1552.14	2831.06	0.5483	54.83%
2066/2067	1716.39	2360.24	0.7272	72.72%
2067/2068	397.63	1168.23	0.3404	34.04%
2068/2069	335.61	3043.76	0.1103	11.03%
Total	4027.49	10764.98	-	-
Average	805.498	2152.996	0.3741	37.41%

(source appendix-x2)

The above table shown the relation ship between net working capital and current assets during 5 fiscal year from 2064/2065 to 2068/2069. In fiscal year 2064/2065 the ratio of net working capital is 51.18% and increased to 54.83% in 2065/2066 increased to 72.72% in 2066/2067 after that gradually decreased to 34.04% and 11.03% in 2067/2068 and 2068/2069 respectively. The overall ratio of study period is 37.41%.

There ratio shows that company's working capital position to be satisfactory. Liquidity position of the firm is also sati factory. In order to test the significance of the relationship between net working capital and current assets of Everest Sugar & chemical industry Limited during 5 fiscal year period Karl person's coefficient of correlation 'r' is calculated appendix 8 and results are as follows:

Coefficients of correlation (r) = 0.060

Probable error (P.E.)=0.30

The correlation coefficient of net working capital and current assets during the study period is positive. Since r is not move than 6 P.E. the value of r is not considered be significant.

4.5.5 Size of Inventories to current assets:

Inventory is the stock of the raw material as well as the finished. The inventory balance also measures the adequacy of working capital. Higher the inventory in stock higher will he the working capital but excess inventory causes unnecessary blocking of capital. It increases cost or the other hand lower level of inventory caused shortage of required material for production & shakes too, So the optimum level of inventory should be maintained in the company. The ratio of inventories to current states the percentage investment in inventories out of current assets.

Size of inventories to current assets of Everest Sugar and chemical Industry limited during 5 fiscal year from 2064/2065 to 2068/2069 are presented below in table 4.5.5 .

Table 4.5.5

Everest Sugar and Chemical Industry Limited

Size of inventories to current assets

(Amount in Rs100000)

Year	Net working capital	Current assets	Ratio	Ratio in %
2064/2065	838.04	1361.69	0.6154	61.54%
2065/2066	1919.81	2831.06	067814	67.81%
2066/2067	1658.35	2360.24	0.7026	70.26%
2067/2068	684.81	1168.23	0.5862	58.62%
2068/2069	2271.21	3043.76	0.7462	74.62%
Total	7372.22	10764.98	-	-
Average	1467.244	2152.996	0.6815	68.15%

(source appendix-3)

The above table shown the size of inventories to current assets of Everest Sugar & chemical industries limited for 5 fiscal years from 2064/2065 to 2068/2069.

In the fiscal year 2065/2065 percentage of inventory to current assets is 61.64% & increased to 67.81% in 2065/2066 in 70.26 in 2066/2067 and 74.62% in 2067/2068. Average percentage of inventory to current assets in study period is 68.15%. the fiscal year 2064/2065 lead highest position i.e. 67.81 which shown that there is unnecessary blocking of capital. Decreased ratio shown that. The firm has invested its most funds is liquid from of assets.

In order to test the relationship between invested & current assets of Everest Sugar and Chemical Industry Limited during 5 fiscal years. Karl pearson's coeffient of correlation of correlation 'r' is calculated in Appendix 9 and the result are as follows:

Confident of correlation 'r' =1.0133

Probable error = 0.078

The correlation is positive which indicate that there is to positive relationship between inventory and current since coefficient of correlation is also greater than 6 P.E. the value of correlation is considered to be significant.

4.5.6 size of cash and Bank balance to current assets:

Cash and bank balance is major resources of working capital. It is the most liquid assets. So it must not be under estimated rather is should be manage properly.

The main reason for holding cash is for transactional motives, precautionary motives and speculative motives. To meet the daily business requirement such as bill payment. Purchase of raw material. Payment of debt the cash balance has to be maintained.

Higher the cash higher is the working capital and strong is the liquidity position on the other hand lowers level of cash caused shortage of required material for production. So optimum level of cash should managed.

Size of cash and bank balance to current assets of Everest Sugar and Chemical Industry Limited during 5 fiscal year from 2064/2065 to 2068/2069 are presented below in table.

Table 4.5.6

Everest Sugar and Chemical Industry Limited

Size of cash & bank balance to current assets

(Amount in Rs100000)

Year	Net working capital	Current assets	Ratio	Ratio in %
2064/2065	71.80	1361.69	0.0527	5.27%
2065/2066	25.77	2831.06	0.0091	0.91%
2066/2067	20.70	2360.24	0.0087	0.88%
2067/2068	78.98	1168.23	0.0676	6.76%
2068/2069	74.85	3043.76	0.0246	2.46%
Total	272.1	10764.98	-	-
Average	54.42	2152.996	0.0253	2.53%

(source appendix-3)

The above table shown the relationship between cash % bank balance and current assets of Everest Sugar and Chemical Industry Limited for 5 fiscal year from 2064/2065 to 2068/2069.

In the fiscal year 2064/2065 percentage of cash and bank to current assets is 5.27% it is decreased to 0.91 in 2065/2066, 0.88 in 2066/2067, in 2067/2068 After that it is gradually increased to 6.76 in 2068/2069. The average of cash and bank to current assets is 2.53%.

The fiscal year 2068/2069 lead higher percentage of cash and bank balance to current assets. As whole percentage of cash % bank balnance is very low. It shows that liquidity position of the firm is very poor. The above table indicates that there is no management of cash in the company.

In order to test the relationship between cash and bank balance and current assets of Everest Sugar and Chemical Industries Limited.

5 years person's coefficient of correlation 'r' is calculate in appendix 10 and results are as follows.

Coefficient correlation (r)= -0.474

Probable error = 234

Since correlation in negative, there is negative relationship between cash and Bank balance and current assets coefficient is not greater than 5 P.E. so the value of correlation is not significant.

4.6   Liquidity analysis:-

Under this section to test the liquidity various ratio are calculated and analyzed which are as follow:

4.6.1 Current Ratio:-

The current ratio showed the ability for payment of debt from current assets. This ratio reveals the solvency and financial strength of company. It is basic yard stick of measuring the solvency and liquidity position of the firm. It is computed by dividing current assets by current liabilities. Current assets normally include cash, account receivable, inventories prepaid expenses etc and current liabilities consists of account payable, creditors, outstanding expenses etc.

The current ratio is calculated y using the following formula.

$$\text{Current Ratio} = \frac{Current\ Assets}{Current\ Liabilities}$$

Current ratio of Everest Sugar and Chemical Industries Limited for 5 fiscal years 2064/2065 to 2068/2069 are presented below in table.

Table 4.6.1

Everest Sugar and Chemical Industry Limited

Current Ratio

(Amount in Rs100000)

Year	Current assets	Current Liabilities	Current Ratio
2064/2065	1361.69	664.47	2.05 time
2065/2066	2831.06	1278.92	2.21 time
2066/2067	2360.24	643.84	3.67 time
2067/2068	1168.23	770.61	1.52 time
2068/2069	3043.76	3379.37	0.90 time
Average	2152.996	1347.442	1.60 time

The above table shown the current ratio of Everest Sugar and chemical industries limited for fiscal year 2064/2065 to 2068/2069. Current ratio of fiscal year 2064/2065, 2065/2066, 2066/2067, are 2.05, 2.21, 3.67 times respectively which are above standard current ratio i.e. It shows that liquidity position of firm is very good. Current ratio of fiscal year 2067/2068 and 2068/2069 are 1.52 and 0.90 times respectively which are less than the standard ratio it shows liquidity position of firm is very bad. The company has to invest his funds in current assets to get strong liquidity position. Average ratio of 5 years is equal to 1.60 times.

In order to test the relationship between current assets and current liabilities during the study period of Everest Sugar and Chemical Industries Limited.

Karl person's coefficient of correlation 'r' is calculated in appendix 18 the result are as follows:

Coefficient of correlation (r) =0.69

Probable error (P.E.)=0.158

The correlation coefficient 'r' between current assets and current liabities is positive i.e. there is positive between current assets and current liabilities. Since r is less than 6 P.E. So the value is hot significant.

4.6.2 Quick ratio/ Acid test ratio/ liquid ratio:

The quick ratio established the relationship between quick assets & current liabilities. This ratio measure the company ability to convert its liquid assets quickly into cash in order to meet its current liabilities or immediate cash needs. Quick assets include all of the current assets excluding inventory and prepaid. Quick assets are those assets which can be converted into cash immediately without diminution of the value. The ratio shows a firms to meet current liabilities with its most liquid assets. Standard of this ratio is 1:1. The quick ratio calculate by using the following formula.

$$\text{Quick ratio} = \frac{Quick\ Assets}{Quick\ Liabilities}$$

Where,

Quick Assets = Current assets – inventory & prepaid expenses

Quick ratio of Everest Sugar and Chemical Industries Limited for 5 years from 2064/2065 to 2068/2069 are presented below in table 4.5.2

Table 4.6.2

Everest Sugar and Chemical Industry Limited

Quick Ratio

(Amount in Rs100000)

Year	Current assets	Current Liabilities	Current Ratio
2064/2065	320.31	664.47	0.4821 time
2065/2066	698.17	1278.92	0.5459 time
2066/2067	509.79	643.84	0.7918 time
2067/2068	278.32	770.61	0.3612 time
2068/2069	559.65	3379.37	0.1656 time
Total	2366.24	6737.21	-
Average	473.248	1347.442	0.3516 time

Here the quick assets include debtors and cash and bank balance. The above table shown the quick ratio of Everest Sugar and Chemical Industries Limited.

The trend of quick ratio are fluctuating. The lowest quick ratio in the study period is 0.1656 time in 2068/2069. The highest quick ratio is 0.7918 times in 2066/2067. The average ratio is 0.3512 times.

Lowest quick ratio of 0.1656 shows less liquidity and quick ratio of 0.7918 times show more liquidity position of the firm. However all year quick ratio is less than standard quick ratio of 1:1 which reflects that the firm liquidity position is very poor. Most of the current assets are blocked in stock. The company is not able to meet current liabilities.

In order ti test the relationship between quick assets and current liabilities of Everest Sugar and Chemical Industry Limited during the study period Karl

Pearson's confidents of correlation 'r' calculated in appendix 17 and result are as follows.

Coefficient of correlation (r) = 0.434

Probable error (P.E.)=0.0245

The coefficient of correlation r is positive which shown that there is positive relationship between quick assets and current liabilities. Since the value of r is greater than 6 PE so the value of r is considered as highly significant.

4.7 Efficiency Analysis:

Under this sanction various ratio are calculate & analyzed to test the efficiency of working capital which are as follows:

4.7.1 Inventory turnover Ratio

Inventory turnover shows the relationship between inventory and sales. It indicates the number of times inventory replaced during the year. Production should be increased to meet the highest level of sales target. To produce more, more row materials is require. The stock level of raw material requirement for higher level of production. Similarly stock level of finished good should be increased to meet the higher level of sales. The inventory turnover can be calculated by using the following formula.

$$\text{Inventory turn} = \frac{Salse}{Inventory}$$

Higher inventory ratio is the good indicator for the company view less inventory turnover is bad for the company.

The inventory turnover of Everest Sugar and Chemical Industries Limited for 5 fiscal year 2064/2065 to 2068/2069 are presented below in table 4.7.1

Table 4.7.1

Everest Sugar and Chemical Industry Limited

Current Ratio

(Amount in Rs100000)

Year	Current assets	Current Liabilities	Current Ratio
2064/2065	838.04	3914.87	4.6715 time
2065/2066	1919.81	4945.84	2.5762 time
2066/2067	1658.35	5222.30	3.1491 time
2067/2068	684.81	5700.48	8.3242 time
2068/2069	2271.21	5022.85	2.212 time
Total	7372.22	24806.34	-
Average	1467.244	4961.268	3.381 time

The above table shows the inventory turnover ratio of Everest Sungar and Chemical Industries Limited.

It has a fluctuating trend i.e. sometimes increasing and sometimes decreasing. The highest turnover ratio is 8.3242 in the fiscal year 2066/2067 and lowest inventory turnover ratio is 2.212 times in 2067/2068. The average inventory turnover during the study period 3.3814 times.

The increase in turnover is due to the higher increase in sales as compared to the increase in inventory. During the study period. The inventory turnover is not found satisfactory. It is due to the poor management in inventory. It has kept unnecessary inventory instead of increasing production.

In order to test relationship between inventory and sales of Everest Sugar and chemical industries limited during 5 year from 2064/2065 to 2068/2069. Karl pearson's coefficient of correlation (r) is calculate in appendix in appendix table no. 11 and the result are as follow:

Coefficient of correlation (r) = 0.192

Probable error (P.E.) = 0.291

The coefficient of correlation 'r' between inventory and sales during the study period Ps positive i.e. there is positive relationship between inventory and sales. Since value of r is not greater than 6 P.E. the value of r is not considered to be significant.

4.7.2 Cash and bank balance turnover:

Cash and bank balance is the most ; liquid assets. It is most important assets from day to day operation of a business. Without adequate cash, business is not possible but excess cash and bank balance increase unnecessary holding cost. So the company should maintain the optimum level of cash and bank balance. Relationship between cash and bank balance and sales is known as cash and bank balance turnover represent the greater utilization of cash i.e. better the efficiency of the company in suing its current assets. Cash and bank balance turnover of Everest Sugar and Chemical industries limited fir the period from 2064/2065 are as follows:

Table 4.7.2

Everest Sugar and Chemical Industry Limited

Cash & Bank Balance turnover ratio

(Amount in Rs100000)

Year	Current assets	Current Liabilities	Current Ratio
2064/2065	71.80	3914.87	55.52 time
2065/2066	25.77	4945.84	191.92 time
2066/2067	20.70	522.30	252.29 time
2067/2068	78.98	5700.48	72.18 time
2068/2069	74.85	5022.85	67.11 time
Total	272.1	24806.34	-
Average	54.42	4961.268/	91.17 time

The above table shown the cash and bank balance turnover of Everest Sugar and Chemical Industry limited for 6 years from 2064/2065 to 2068/2069. The turnover ratio has the flouting trend. The lowest turnover is 50.52 times in 2064/2065 & the highest turnover is 252.29 times in 2066/2067. The average turnover ratio is 91.17 times. Cash and bank balance turnover ratio of Everest Sugar And Chemical Industries Limited is satisfactory.

In order to test the relationship between cash and bank balance of Everest Sugar and Chemical Industries Limited during 5 years from 2064/2065 to 2068/2069. Karl pearson's coefficient of correlation (r) is calculate in appendix table no. 12 and result are as follows:

Coefficient of correlation (r) = -0.0943

Probable error (P.E.) = 0.30

The confident of correlation (r) between cash and bank and sales in negative i.e. there Ps negative relationship between cash and bank balance and

sales. The value of r Ps not greater than 6 P.E. the value of r Ps not greater than 6 P/E/ the value of r is not significant.

4.7.3 Net working Capital Turnover

Net working capital is the different between current assets and current liabilities. In other word excess of current assets over current liabilities is known as net working capital. Net working capital turnover is the relationship between sales and net working capital. This ratio indicates the no. of the working capital turned over during the years. Higher the net working capital turnover is better and lower net working capital turnover is bad for the company.

The net working turnover of the Everest Sugar and Chemical Industries Limited for 5 years from 2064/2065 to 2068/2069 are as follows.

Table 4.7.3

Everest Sugar and Chemical Industry Limited

Net working capital turnover

(Amount in Rs100000)

Year	Net working capital	Sales	Net working capital turnover
2064/2065	696.94	3914.87	5.62 time
2065/2066	1552.24	4945.84	3.19 time
2066/2067	1716.39	5222.30	3.04 time
2067/2068	327.63	5700.48	14.34 time
2068/2069	(335.61)	5022.85	14.97 time
Total	4027.49	24806.34	-
Average	805.498	4961.268	6.16 time

The above table shows the net working capital turnover of Everest Sugar and Chemical Industries Limited for 5 years from 2064/2065. The ratio has fluctuating trend. The highest turnover ratio is 14.34 times in 2068/2069 and lowest ratio is (14.97) time in 2068/2069. The average net working capital turnover during the study period is 6.16 times. The net working capital turnover of Everest Sugar and Chemical Industries Limited is not found satisfactory increasing trend shows effective capital and decreasing trend shows that there is decreasing in utilization of net working capital.

In order to test relationship between working capital and sales of Everest Sugar and Chemical Industries Limited during 5 years period Karl pearson's co efficiency of correlation is calculated in appendix table no. 13 and result are as follows:

Coefficient correlation (r) = -0.015

Probable error (P.E.) =   0.32

The coefficient of correlation between net working capital and sales during the study period is negative i.e. there is negative relationship between net working capital and sales since the value of r is less than 6 P.E. so the value of r is not significant.

4.7.4 Receivable/ Debtors Turnover ratio:-

Account receivables is the amounts of money owned to a firm by customer who have bought goods or service on credit. It is current assets. This is also called receivables.

The analysis o the receivable turnover ratio supplements the information regarding the liquidity of one item of current assets of the firm. The ratio measure how rapidly debts are collected. A high ratio is indicator of shorter

time lag between credit sales and cash collection. A low ratio shows that debts are not being collected rapidly.

Thus, receivable turnover ratio is a test of liquidity of the debtors of a firm. It show low quickly receivable are converted into cash. It indicates the velocity of debt collection of a firm.

The receivable turnover ratio of Everest Sugar & Chemical industries Limited for 5 years are presented below:

Table No.4.7.4

Everest Sugar & Chemical Industries Limited

Receivable Turnover Ratio

(Amount in 100000)

Fiscal year	Sales	Receivables	Receivable turnover ratio
2064/2065	391.87	248.51	15.75 time
2065/2066	4945.84	672.41	7.36 time
2066/2067	5222.30	489.09	10.68 time
2067/2068	5700.48	199.34	28.60 time
2068/2069	5022.85	484.81	10.36 time
2064/2065	24806.34	2094.16	
Average	4961.268	418.832	11.85 time

The above table shows the receivable turnover o Everest Sugar & Chemical industries Limited for 5 years study period from 2064/2065 to 2068/069. In fiscal year 2065/066 this ratio was 15.75 times and increased to 28.60 times in 2068/069 after that it is decreased to 7.36 times in 2067/2068. 1068 times in 2067/068, 10.36. The highest ratio in study period study period is 28.60 time in 2068/069 and lowest ratio is 7.36 times in 2068/2069. The average receivables turnover of Everest Sugar & Chemical industries Limited is not satisfactory which indicates that the receivables management is very poor.

In order to test the relationship between receivables & sales of Everest Sugar & Chemical Industries Limited during the study period, Karl pearson's coefficient of correlation coefficient of correlation (r) is calculated in appendix table no. 14 and the result as follows:

Coefficient of Correlation (r) 0.068

Probable error (P.E.) 0.30

Since the value of coefficient of correlation is positive, so there is positive relationship between receivable and sales. Also the calculate value of r is less than 6 PE the value is not significant.

4.7.5 Current assets turnover ratio:

The relationship between sales and current assets is known as cureent assets turnover ratio. It indicates the adequacy of sales in relation to the investment in current assets. It shows the effectiveness of utilizing current assets in relation to sales. The current assets turnover ratio calculated by using the following formula.

Current assets turnover ratio = $\dfrac{\text{sales}}{\text{Current assets.}}$

The current assets turnover ratio of Everest Sugar & Chemical industries Limited for 5 years study period from 2064/2065 to2068/2069 are presented below:

Table No.4.7.5

Everest Sugar & Chemical Industries Limited

Current assets turnover

(Amount in 100000)

Fiscal year	Net working capital	Sales	Net working capital turnover
2064/2065	3914.87	1361.69	2.875 time
2065/2066	4945.84	2831.06	1.7470 time
2066/2067	5222.30	2360.24	2.2126 time
2067/2068	5700.48	1168.23	4.8796 time
2068/2069	5022.85	3043.76	1.65002 time
Total	24806.34	10764.98	
Average	4961.268	2152.996	2.3044 time

The above table shows that current assets turnover in 2058/059 was 2.875 time and it is decreased to 1.747 times in 2064/2065 after that is decreased up to 1.6501 times in 2066/067. The highest turnover ratio is 4.8796 times in 2067/068 and lowest turnover ratio is 1.6502 in 2068/069. Average current assets turnover ratio in studying period is 2.3044 times.

It reflects that the company hold higher level of current assets but unable to increase sales.

In order to test the relationship between sales and current assets of Everest Sugar & Chemical industries Limited during 5 years period karl Pearson's coefficient of correlation (r) is calculated in appendix 7 and the result are as under :

Coefficient of correlation (r) =0.089

Probable error (P.E) =0.299

The coefficient of correlation between sales & current assets during the study period is positive i.e. there is positive relationship between sales and

current assets. Since r is not 6 times greater than probable error the value of r is not significant.

4.7.6 Average collection period:

Average collection period presents the average no. of days for collecting the cash from debtors. It is calculated by dividing days in a year by debtor turnover ratio. It is also called day's sales outstanding. The average collection period examines quality of debtor because it gives the period in which debts can be collected by the firm. So it indicates the rapidity of collecting debt. Thus shorter the average collection period better is the quality of debtors because it ensures prompt payment of debtors. Therefore it is the indicator of the efficiency of trade credit management.

The result of this ratio is a no of days and minimum days are preferable. Hence average collection period shows the no of days required for collecting the debtors.

The average collection periods of Everest Sugar & Chemical Industries Limited for 5 years fiscal year from 2064/065 to 2062/063 are as follows:

Table No.4.7.6

Everest Sugar & Chemical Industries Limited

Average collection period

(Amount in 100000)

Fiscal year	Days in a year	Debtor turnover ratio	Average collection period
2064/2065	365	15.57	23 days
2065/2066	365	7.36	50 days
2066/2067	365	10.68	34 days
2067/2068	365	28.60	13 days
2068/2069	365	10.36	35 days
Average	365	11.85	31 days

The above table shows the average collection period of Everest Sugar & Chemical Industries Limited for 5 years. While comparing each year's average collection period with average collection period it was found that in 2064/065 and 2068/069 it is below than average value. It can be concluded that its debtors are delayed in refunding debts side by side it depicts in efficiency collection effort of management.

4.8 Profitability Analysis:

The following ratio shows the profitability of the firm.

4.8.1 Return on inventory:

This ratio shows the relationship between net profit after tax and inventory. Thus it is calculated by dividing net profit after tax by inventory. By calculating this ratio. Questions such as how sill be inventories are moving and to which extent is helpful to obtain profit can be solved. Thus it is also an effective measure o profitability.

Return on inventory of Everest Sugar & Chemical industries Limited for 5 fiscal year 2064/2065 to 2068/2069 are as follows:

Table No.4.8.1
Everest Sugar & Chemical Industries Limited
Return on inventory

(Amount in 100000)

Fiscal year	Net profit after	Inventory	Return on inventory
2064/2065	(211.13)	838.04	(25.19%)
2065/2066	13.76	1919.81	0.72%
2066/2067	129.37	1658.35	7.80%
2067/2068	372.49	684.81	54.39%
2068/2069	264.98	684	54.39%

Analysis of 5 years ratio shows that fiscal year 2064/065 have negative ratio. The firm has negative craning, so it causes the ratio to be negative. After that it is positive. The highest return on inventory is 54.39%. So it denote better

efficiency in management of inventory to earn the return during the year. The condition is satisfactory.

4.8.2 Gross profit Margin:

The gross profit is obtained by deducting cost of goods sold from net sales. The ratio is the relationship between gross and net sales. This ratio measures the efficiency of the company & soundness of the management. Higher percentage indicates the better efficiency.

The gross profit margin ratio of Everest Sugar & Chemical Industries Limited for 5 fiscal years from 2064/2065 to2068/2069 are presented below:

Table No.4.8.2
Everest Sugar & Chemical Industries Limited
Gross Profit Margin

(Amount in 100000)

Fiscal year	Sales	Gross profit	Rate in percentage
2064/2065	3914.87	912	23.30%
2065/2066	4945.84	904.14	18.28%
2066/2067	5222	1065.06	20.39%
2067/2068	5700.48	1342.63	23.54%
2068/2069	5022.85	1077.60	21.45%
Average	4961.268	1060.098	21.37%

The above table shows the gross profit margin ratio of Everest Sugar & Chemical Industries Limited for 5 fiscal year from 2064/065 to 2068/069. Profit margin ratio is in fluctuating trend. In fiscal year 2064/065 the ratio is 23.30% and decreased to 18.28% in 2065/066, 20.39% in 2066/067. After that it is increased to 23.54% in fiscal year 2061/062. In fiscal year 2067/068 the company is able to maintain the largest gross profit margin of 23.54%. The average gross profit 8 margin in 5 years study period is 21.37%.

In order to test the relationship between gross profit and sales of Everest Sugar & Chemical Industries Limited during the study period Karl Pearson's coefficient of correlation 'r' is calculated in appendix table no. 15 and the results are as follows:

Coefficient of correlation (r) 0.79

Probable error (P.E.) =0.1133

The coefficient of correlation between gross profit & sales during the study period is positive i.e. the is positive relationship between gross profit and sales. Since the value of r is 6 times greater than probable error the value of r is considered to be significant.

4.8.3 Operating cost ratio:

The operating ratios establish the relationship between operating expenses and sales volume. It is an important ratio that explains the changes in the net profit margin ratio. It also measures the efficiency of the company as regard to minimizing costs. Operating ratio is an indicator of operational efficiency. This ratio is calculated by dividing operation cost by sales operating cost include cost of goods sold, office and administrative overhead and selling & distribution expense. Lower ratio is better. Higher proportion shows limited availability of income. Hence this ratio can be assumed as yard stick for measuring the operating efficiency. The operating ratio of Everest Sugar & Chemical Industries Limited for 5 fiscal years from 2058/059 to 2061/062   is presented below:

Table No.4.8.3
Everest Sugar & Chemical Industries Limited
Operating Cost ratio

(Amount in 100000)

Fiscal year	Operating expenses	Sales	Operating cost ratio
2064/2065	3236.11	3914.87	82.66%
2065/2066	4109.49	4945.84	83.09%

2066/2067	4321.48	5222.30	82.75%
2067/2068	7557.21	5700.48	79.94%
2068/2069	4114.06	5022.85	81.91%
Total	20338.35	24806.34	-
Average	4067.67	4961.268	81.99%

The table shows that the operating ratio of Everest Sugar & Chemical Industries Limited are in fluctuating trend. Highest operating ratio was in 2064/065 is 83.90% and 82.75%, 79.97%, 81.91% in 2065/066, 2066/067, 2066/068 respectively. Average operating cost ratio of study period is 81.99%.

The decreasing percentage of operating cost to sales is the indication of operating efficiency.

In order to test the relationship between operating cost and sales of Everest Sugar & Chemical Industries Limited during the study period, Karl Pearson's coefficient of correlation 'r' is calculated in appendix no.16 and the result are as under:

Coefficient of correlation 'r' =0.993

Probable error (P.E.) =0.0043

The correlation coefficient between operating cost and sales of Everest Sugar & Chemical Industries Limited during the study period is positive i.e. there is positive relationship between operating cost & sales. Since value or r is greater than 6 times of P.E. we conclude than the value of r is significant.

4.8.4 Net profit margin ratio.

Net profit margin ratio is the relationship between net profit and sales. It is calculated as the net profit divided by net sales. It shows the overall effect of the firm. The net profit margin ratio of Everest Sugar & Chemical Industries Limited during the study period are as follows:-

Table No.4.8.4
Everest Sugar & Chemical Industries Limited
Net profit Margin

(Amount in 100000)

Fiscal year	Net profit	Sales	Net profit margin
2064/2065	(211.13)	3914.87	(5.39%)
2065/2066	13.76	4945.84	0.278%
2066/2067	129.37	5222.30	2.48%
2067/2068	372.49	5700.48	6.53%
2068/2069	264.98	5022.85	5.28
Total	569.47	24806.34	-
Average	113.894	4961.268	2.29%

The above table shows that the net profit margins ratio of Everest Sugar & Chemical Industries Limited are in fluctuating trend. Highest net profit margin ratio was in 2065/066 i.e. 6.53% and lowest net profit margin ratio was in 2058/059 i.e.(5.39%) average net profit ratio of this study period is 2.29%. Negative net profit margin indicated that the company is operating at loss and positive ratio indicated that the company is operating at profit.

In order to test the relationship between relationship between net profit & sales of Everest Sugar & Chemical Industries Limited during the study period Karl person's coefficient r is calculated in appendix no…….. and the results are as under:

Coefficient of correlation (r) =1.223

Probable error (P.E) =0.150

The correlation coefficient between net profit and sales of Everest Sugar & Chemical Industries Limited during the study period is positive i.e. there is positive relationship between net profit and sales since value of r is greater than 6 times of P.E. we can conclude that the value of r is significant.

4.9 Trend Analysis:

Under this topic, various data related to working capital have been analyzed in term of trend percentage taking fiscal year 2065/065 as a base year. In this segment the related variable such as total current assets and total current liabilities in graph-1, Net working capital and current assets in graph-2, inventory and cash balance in graph-3, sundry debtors and account payable (creditors) in graph-4 , cost of goods sold and inventory in graph-5 and gross profit and sales in graph-6 and analysis is performed thereafter. Here the value of related variables of fiscal year 2065/065 are expressed as 100 percentage and in the same way the value of the same times of remaining for years are converted in percentage based up on above base year.

Trend is the basis tendency of as series to grow or decline over a period of time. The concept of trend doesn't includes short range oscillation, but rather the steady movement over a long times.

The following table shows the trend percentage based on fiscal year 2064/065 as 100 percent:

Table No. 4.9
Everest Sugar & Chemical Industries Limited
Trend Analysis in percentage.

S.N.	Particulars/years	2064/065	2065/066	2066/067	2067/068	2068/069
1	Total current assets	100	208	173	86	224
2	Total current assets	100	192	97	116	508
3	Net working capital	100	223	246	57	48
4	Inventory	100	229	198	82	271
5	Cash & Bank Balance	100	36	29	110	104
6	Account capable	100	192	97	116	508
7	Sundry debtors	100	271	197	80	195
8	Cost of good sold	100	110	105	102	76
9	Gross profit	100	99	117	147	118

| 10 | Sales | 100 | 208 | 173 | 86 | 224 |
| 11 | Prepaid expenses | 100 | 105 | 184 | 101 | 105 |

Graph No. 4.9.1

Graph showing current assets and current liabilities

Total current assets   Year   Total current liabilities

Graph no. 4.9.1 shows the trend line of total current assets and total current liabilities in terms of parentage. The trend line of total current assets is in increasing way except fiscal year 2066/067. Total current assets in the fiscal year 2064/065 is 100% then increased to 208%, 173% & 224% in the fiscal year 2065/066, 2066/067 & 2067/068 respectively. But fiscal year 2061/062, total current assets decreased to 86%.

In the same way the total current liabilities in the fiscal year 2058/059 is 10% them increased to 192%, 116% & 508% in fiscal year 2064/065, 2066/067 & 2067/068 respectively. But fiscal year 2060/061 total current liabilities decreased to 97% .

Therefore, both trends to some extend adopt same features and the difference is only in volume not in nature.

Graph No. 4.9.2

Graph showing current assets and networking capital

Total current assets   Networking capital
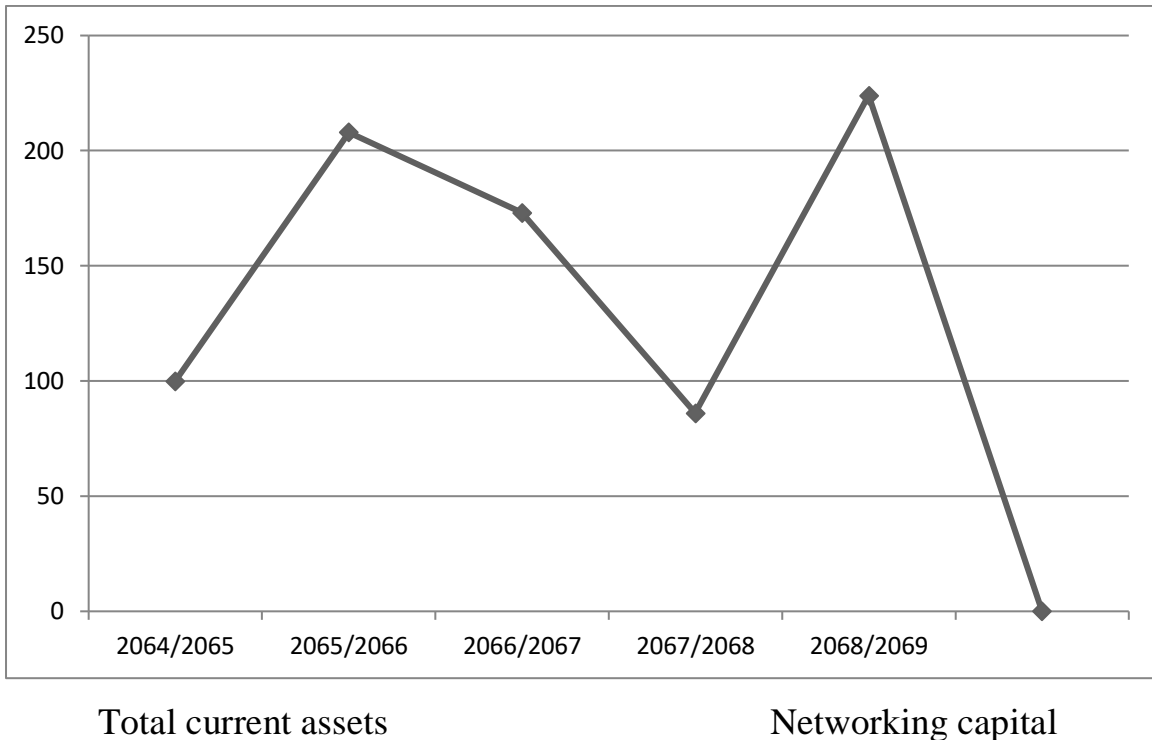
Graph no.4.9.2 shows the trend line of total current assets and net working capital in term of parentage. In the fiscal year 2064/065 both the current assets and net working capital is 100% in fiscal year 2065/066 & 2066/067 net working capital is increased to 223% and 246% respectively then decreased to 57% & (48%) in fiscal year 2067/068 and 2068/069 respectively. It shows that net working capital in last two year is poor than first three years.

Graph No. 4.9.3

Graph showing inventory & cash and bank balance
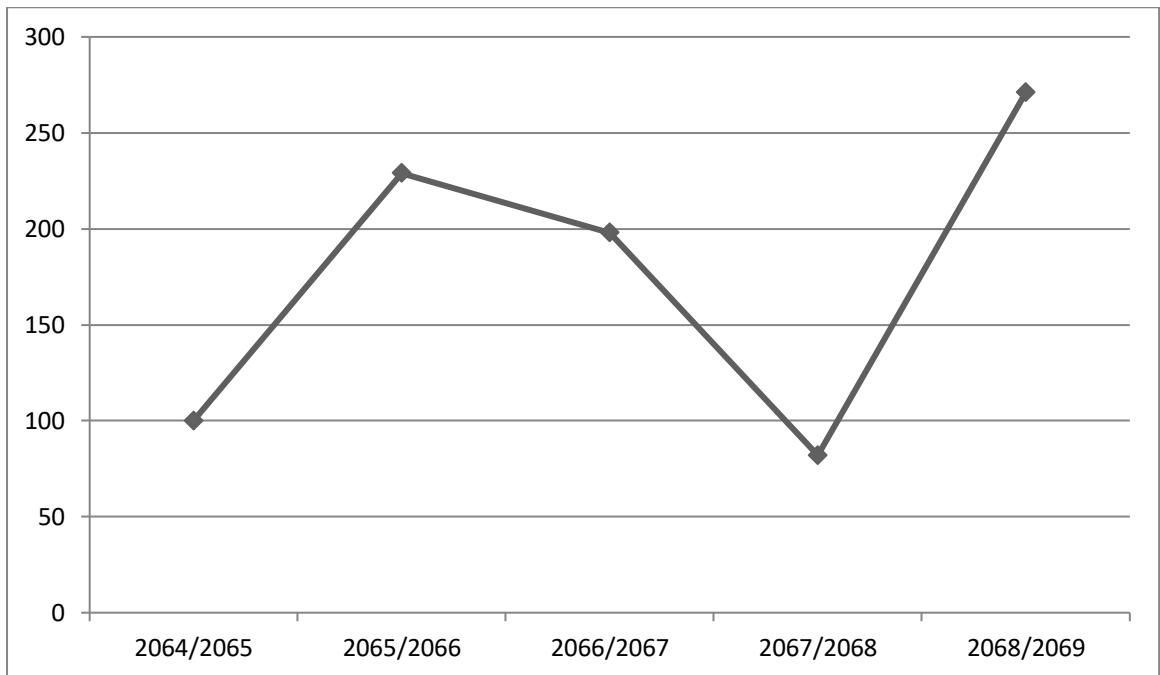
Inventory   Year   cash & bank balance

Graph no.4.9.3 shows the trend line of inventory and cash & bank balance. Inventory is 100% in the fiscal year 2064/065 then 229%, 198%, 82%, and 271% in the fiscal year 2065/066, 2066/067, 2067/068 and 2068/069 respectively in the same way cash and bank balance in the fiscal year 2065/065 is 100% and then decreased to 36% & 29% in 2065/066 & 2066/067 respectively. After that it is increased to 110% & 104% in the fiscal year 2067/068 & 2068/069 respectively. The cash position in 2067/066 and 2068/069 seems very strong and there is an excess inventory in the company.

Graph No. 4.9.4

Graph showing sundry debtors & Account payable
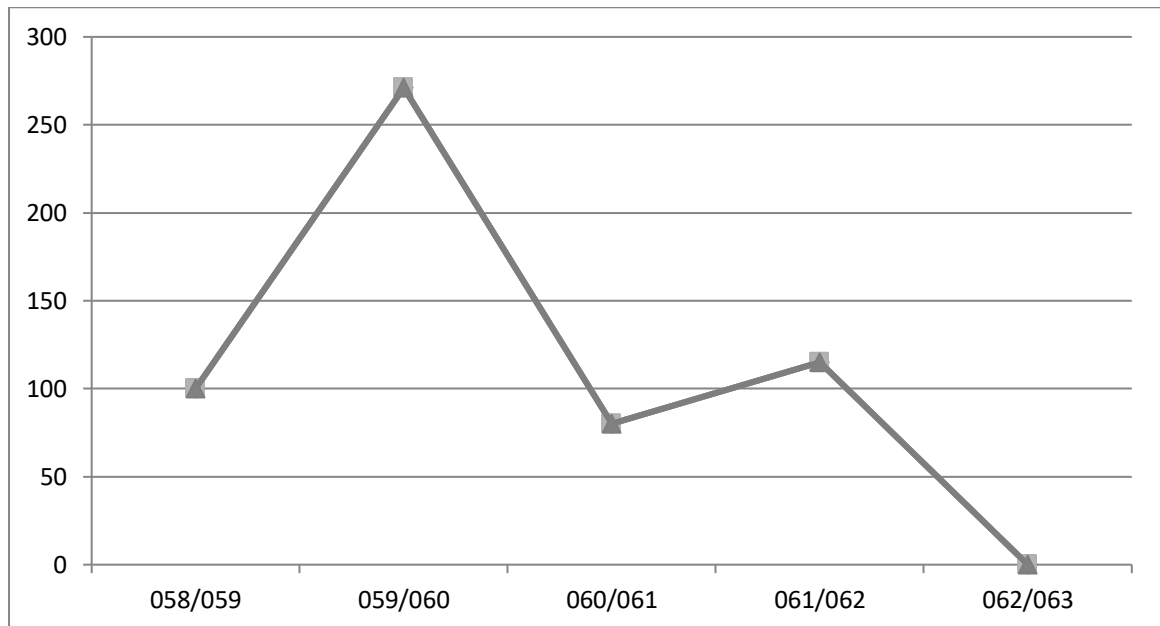
Sundry Debtors   Year   Account payable

Graph no. 4.9.4 shows the tread line of two major components of working capital. Sundry debtor and account payable. The trend line of sundry debtors Ps 100% in fiscal year 2064/065 then increased to 271% and 195% 197% and 195% in fiscal year 2065/066, 20660/067, 2067/068 & 2068/069 respectively. Then decreased to 80% in fiscal year 2068/069.

It shows that company's collection policy is well managed in fiscal year 2061/062 and remaining fiscal year the company is considering liberal policy.

In the same way the trend line of account payable in fiscal year 2065/065 is 100% then increased to 192% 116% and 508% in fiscal year 2065/066, 2066/068 and 2068/069 respectively. In fiscal year 2066/067 account payable decreased to97%.

Graph No. 4.9.4

Graph showing sundry debtors & Account payable
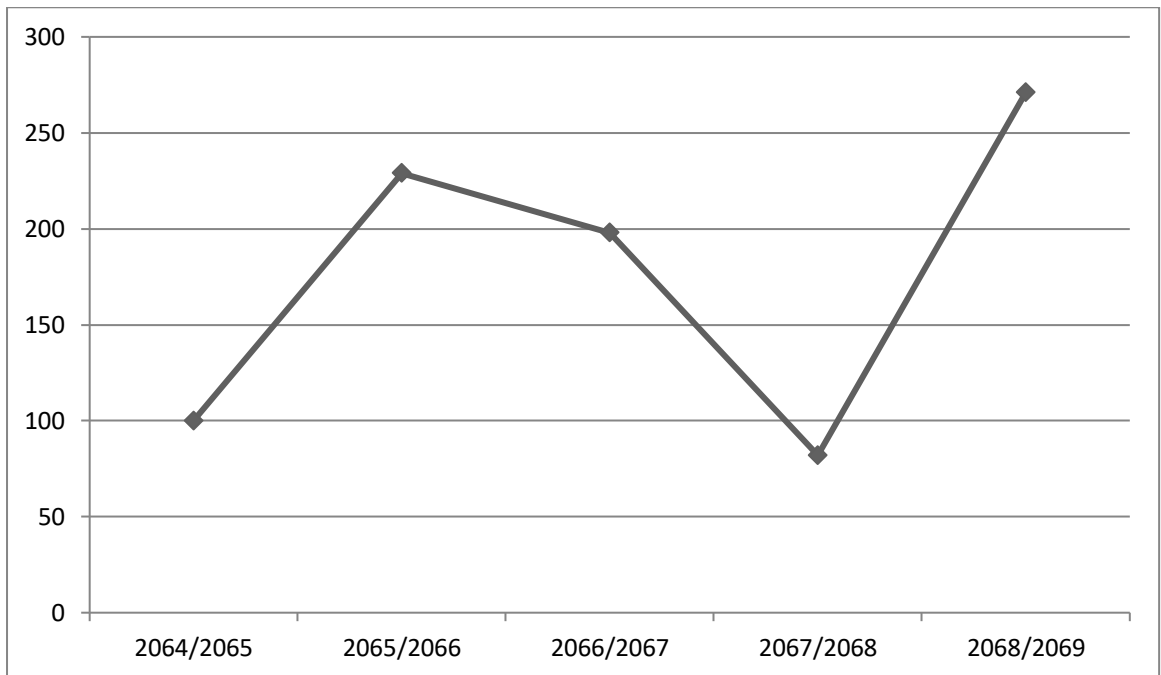
| Inventory | Year | Cost of good sold |

Graph no. 4.9.5 shows the trend line of cost goods sold and inventory. The trend line of both in the fiscal year 2064/065 is 100%. Cost of goods sold is increased to 110% 105% and 102% in fiscal year 2065/066, 2066/067 and 2067/068 respectively and then decreased to 76% in fiscal year 2062/063.

The trend line of inventory in the fiscal year 2065/066, 2066/067 and 2068/069 are increased i.e. 299% , 198%, 271% respectively.

Graph no. 4.9.6

Graph showing Gross profit & sales
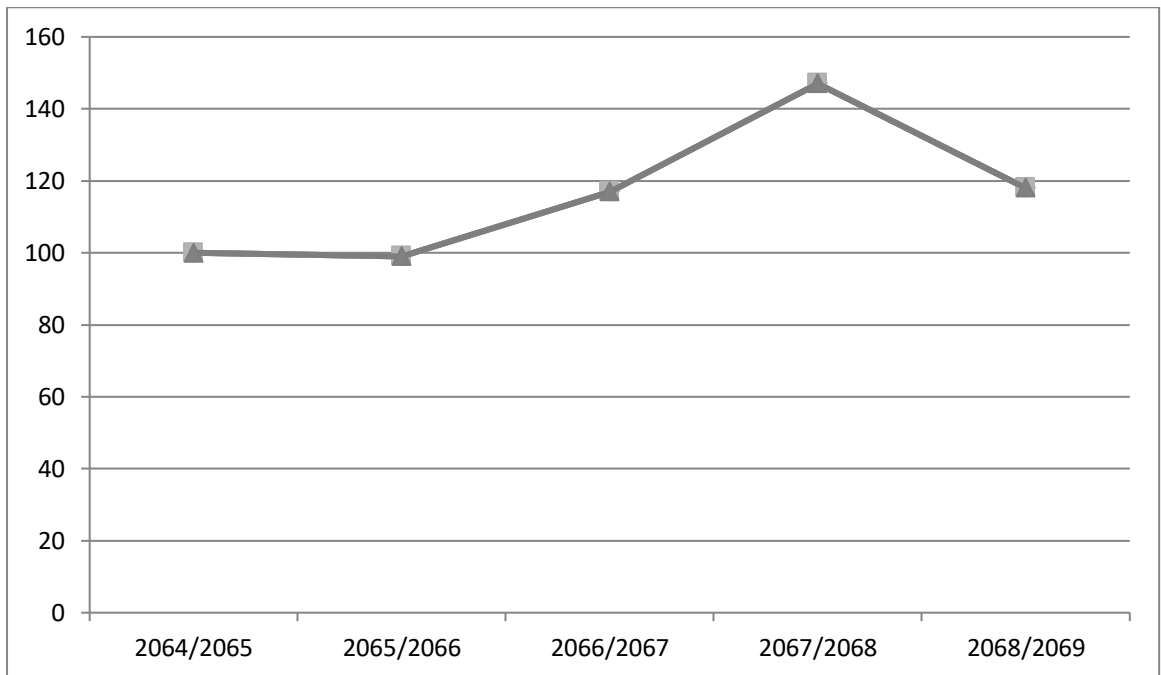
Gross Profit   Year   Sales

Graph no. 4.9.6 shows the trend line of gross profit and sales both the gross profit and sales percentage of fiscal year 2064/066 is 100%. The gross profit percentage in 2065/066, 2066/067, 2067/068 & 2068/069 are 99% and 118% respectively. The gross profit in average in increasing way.

The trend line of sales is sometimes increasing and sometimes decreasing. The percentage sales in 2065/066, 2066/067 and 2068/069 are increased to 208%, 173% & 224% respectively and decreased to 86% in the fiscal year 2061/062.

Chapter – Five

Summary, Conclusion & Recommendations

5.1 Summary:

In the introduction chapter we have discussed the process of industrialization and it role and importance in Nepal with overall picture of Everest Sugar and Chemical Industries Limited. The concepts of working capital and its role and importance in manufacturing company like Everest Sugar and chemical Industries Limited also include there in.

The second chapter i.e. reviews of literature gives the concept of working capital. Where views of different writes have been discussed. Findings of different research paper related to the Sugar and Chemical Factory have also been discussed hare.

The basic objective of the study is to examine the management of working capital of Everest Sugar and chemical industries limited to fulfill the objective and other specific objective as described in chapter one, an appropriate research methodology has been developed which included the ratio analysis as a financial tool & coefficient of correlation as statistical tools. The major ratio analysis consists of the composition of working capital position, turnover position, liquidity position and profitability position of the industries. Under these main ratio, various, ratio positions are studies in the chapter four in order to test the relationship between various components of working capital Karl pearson's coefficient of correlation 'r' is calculated in the appendixes and the result have been analyzed in the chapter four.

The necessary data have been taken from the balance sheet and profit and loss account of Everest Sugar and Chemical Industries Limited from fiscal year 2064/2065 with the help of methodology described in chapter three. These data

are represented and analyzed in chapter three. These data are represented and analyzed in chapter four. In the last chapter an attempt has been made to present summary of finding, conclusion & recommendations of Everest Sugar and Chemical Industries Limited.

5.2 Conclusion:

The following conclusions have been drawn through the study.

5.2.1 Analysis of current assets:

The major components of current assets of Everest Sugar and chemical industries Limited are inventories, receivables, cash and bank balance and prepaid expenses respectively. The inventory occupies major share in current i.e. 66.57%. It has shown fluctuating trend. Debtors, advance expenses and receivable maintain second position in ranking i.e. 19.14%. It has also sometimes increased and sometimes decreased. Cash and bank balance maintain last rank i.e. 3.26%. In has also sometimes increased and sometimes decreased.

5.2.2 Analysis of current liabilities:

The trend of current liabilities of Everest Sugar and Chemical Industries Limited have no consistency. It adopts sometime increased and sometime decreased when % of current liabilities for fiscal year 2064/2065 is assumed as 100% the % current liabilities for fiscal year 2064/2065 is assumed 100% the % current liabilities 2065/2066, 2066/2067, 2067/2069 are 192.39, 96.86%, 155.93 and 508.37% respectively.

5.2.3 Analysis of Net working capital

Net working capital has occupied major in working capital. The liquidity position of the industry during the studies period seems satisfactory. The net working capital in fiscal year 2064/2065 is 51.18% then increasing to 55.83% in

2065/2066 after that also increased to 72.72% in 2066/2067 then after that decreased to 34.04% and (11%) in 2067/2068 and 2068/2069 respectively. Decreased trend of net working capital in not good sign for the company. Increased net working capital signifies that the management has sufficient fund available to manage day to day affairs of the company.

5.2.4 Liquidity Analysis

5.2.4.1 Current Ratio

The current ratio of Everest Sugar and Chemical Industries Limited in average is 1.60 time. Taking standard ratio 2:1 the average ratio of industry is looked satisfactory i.e. liquidity position of Everest Sugar and Chemical Industries Limited look satisfactory.

5.2.4.2 quick ratio

The average quick ratio of Everest Sugar and Chemical Industries Limited during the study period is 0.3512. Standard of this ratio is 1:1. Quick ratio of industries of each study period is below the standard which shows that the liquidity position of the Everest Sugar and Chemical Industries Limited seems not satisfactory. The company has invest excess amount in inventory.

5.2.5 Analysis of efficiency of working capital:

5.2.5.1 Inventory turnover ratio:

The average inventory turnover ratio of Everest Sugar and Chemical Industries Limited is 3.3814 times which looks very poor. It shows that the inventory management of the industry seems very poor. The company is not able to maintain proper balance between inventory and sales.

5.2.5.2   Receivable Turnover ratio:

The receivable and generally affected by credit sales. Credit sales are unavoidable in to days business words turnover of Everest Sugar and Chemical Industries Limited during study period receivable are15.75, 10.60, 10.36 times respectively. The average receivable turnover ratio of Everest Sugar and Chemical Industries Limited is 11.85 time. The investment made by the company in receivable reveals liberal credit policy follows loose credit police and as a result it can incur higher bad debt losses and face the problems of liquidity. Thus the management of Everest Sugar and Chemical Industries Limited should take care to achieve optimum balance that maximized the overall return of the firm.

5.2.6 Analysis of profitability of the firm

The average gross profit of Everest Sugar and Chemical Industries Limited during the study period is 21.37% and the company is operating at an average profit of 2.29% only operating cost of the industries is also high. It reveals the poor management of assets & liabilities. The company is suffering from profit due to poor liquidity position and over investment in inventory. The main reason is that the company is not operating at full capacity. When the company will operate at full capacity there is positive impact on profitability.

5.3   Recommendation:

Following recommendation are made on the basis of this study:

1. The Everest Sugar and Chemical Industries Limited should pay proper attention on the investment in current assets. This avoids risk in management of working capital. Many financial tools and techniques (i.e.

ratio analysis, flow analysis and hypothesis test) help the Everest Sugar and Chemical Industries Limited to identify the deviation.

2. The Everest Sugar and Chemical Industries Limited should have proper cash planning to estimate the cash receipts & payment. This will help to minimize the problems if it has excess or deficit cash balance. As a result there will neither be excess nor the shortage of cash balance in the industries and the liquidity & profitability position of the industries can also be improved.

3. Inventory is occupying large portion in the total current assets. Therefore the huge amount of raw materials and inventory kept by Everest Sugar and Chemical Industries Limited should be reduced in order to maintain proper balance in sales and production. The problem of over and under stocking have also been faced by the industry. To avoid this situation Everest Sugar and Chemical Industries Limited should apply stable inventory policy.

4. The Everest Sugar and Chemical Industries Limited has invested huge amount of capital in current assets like inventory. The amount of overinvestment in inventory should be reduced the surplus from this should be invested in capital expenditure in order to expand the production capacity & increase the sales volume to earn more profit.

5. Effective inventory control technique should be introduced in order to control inventory in accordance with their value & importance. To maintain good inventory position statistical tools and mathematical tools like ratio and technique of ABC inventory control must be introduced in determining the stock position.

6. Receivables with reference to sales Everest Sugar and Chemical Industries Limited have fluctuating trend. This implies there is loose credit policy i.e. liberal credit policy. To avoid the problems of higher level of investment in receivable the industry should have maximum cash

sales for this the customers should be provided discounts facilities on each purchase. It should avoid policy of credit sales. The customers should be acquainted with the period of credit. To accelerate the collection the customers should be provided discount facilities.

7. The management of Everest Sugar and Chemical Industries Limited should give due attention for minimizing the administrative and operating cost of the industry. The unskilled man power over staffing non-systematic purchasing of raw materials unnecessary expenses and misuse of facilities are major causes for higher operating cost systematic purchasing system appropriate number of staff and reduction in other overhead are main Clements to overcome this problem.

8. Both the inventory turnover ratio and the receivable turn over ratio in miserable condition. If present trend has not been controlled. Everest Sugar and Chemical Industries Limited may have to pay huge cost for it. It is suggested that industry should curtail its unnecessary stock of material and should collect debtors as quick as possible. For this the company should make regular supervision to find adequacy in working capital whenever possible. This help a lot to avoid risk is management of working capital.

9. The Everest Sugar and Chemical Industries Limited should maintain optimum cash balance by removing the situation of excess and deficiency in cash balance. The company should consider general economic factors investment opportunities and availability of its bank credit while determining optimum cash balance.

10. The sales of Everest Sugar and Chemical Industries Limited during the study period have not maintained according to the size of current assets. To maintain optimum size of sales as per the size of current assets the company should invest on advertisement as well as other promotional aspects.

11. The divisional manager should be specialized in his department so that he is more familiar with the problems and situation of the particular department could deal with the problems of the department.

12. The Everest Sugar and Chemical Industries Limited should develop positive managerial attitude towards productive investment. The manager &director have to bear huge responsibility and to keep interest to exercise the knowledge in investment decision.

"The End"

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Appendix-1

Everest Sugar and Chemical Industries Limited

Ramnagar, Mahottari

Balance Sheet

Particular/Fiscal year	2064/065	2065/066	2066/067	2067/068	2068/069
Capital &Liabilities	22080000	240800000	270800000	270800000	27080000
Capital & Reserved fund					
Share capital and reserve fund					
Mid and long term loan					
Secured loan	443399112	498391505.86	450834949.10	271748671.70	286219396.72
Unsecured loan	17676671	463500.56			
Total liabilities & equity	681875783	739655096.42	721634949.1	542548671.70	557019396.72
Assets					
Fixed assets (A)	519332791	496916694.64	475407569.29	464401910.71	468309188.03
Current assets					
Inventory	83803945	1919806770.33	165834569.44	68480900.50	227120642.46
Business &other A/R	24850710	67240827.15	48908796.60	19934313.07	48480506.35
Cash & other balance	7179907	2576547.50	2070245.96	7897863.06	7484685.79
Prepaid & advance	20333831	21308061.71	19210098.09	20510347.94	21290181.46
Total current assets	136168394	283106106.69	236023710.39	116823424.57	304376016.06
Less: Current liabilities & Provisions:					
Business And Other Payable	66473989	127892372.63	64384462.89	77060583.07	337937084.09
Net current assets (B)	69694405	155213734.06	171639247.50	39762841.50	33561068
Total assets (A+B)	589027196	652130428.70	64704681.79	504164752.21	43478120
Deferred revenue expenditure	3947711				
P/L account balance	88900876	87524667.72	7458132.31	38383919.49	122271276
Total	681875783	739655096.42	721634949.10	542548671.70	557019396.72

Appendix-2

Everest Sugar and Chemical Industries Limited
Ramnagar, Mahottari
Income statement

Particular/Fiscal year	2064/065	2065/066	2066/067	2067/068	2068/069
Sales	391486620	494584066	52223162.08	570048385.97	50228524.25
Loss cost of sales	30028563	404170445.9	415724495.26	435885139.30	394524909.19
Gross profit	15943384	1567065.44	14339462.75	18317831.82	16143803.90
Less Business expenditure					
Office and rent expenses	15943384	1567065.44	14339462.75	18317831.82	16143803.90
Selling & distribution expenses	7386905	5211541.73	2083759.90	1518372.67	737179.97
Operating Profit	67875768	83635010.42	90082444.27	11432704.18	90879353.19
Less financial expenses	60068847	52310425.74	46946400.83	39432723.28	31738736.78
Less depreciation	28831744	29852749.12	30182253.47	30647324.58	3165742.61
Less Population control expenses				189240	
Less bad debt written off				6623331.05	
Less Account Written off	88139	9526.93	17254.56	185894.06	434277.91
Net Profit before income tax	21112962	1376208.63	12936535.41	37248519.11	26498282.60
Less Bonus Provision				299306.29	114486.83
Less Income tax and special fee				745000	274153
Net profit after tax	21112962	1376208.63	129365534.41	3604212.62	26112642.77
P/L brought forward from last year	67787914.35	8890087.35	87524667.72	74588132.31	38383919.49
Prior period adjustment					
Balance of Profit transfer to Balance Sheet	889000876.35	87524667.72	74588132.31	38383919.49	122271276.72

Appendix-3

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Everest Sugar and Chemical Industries Limited

Ramnagar, Mahottari

Component of Current Assete

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Particular/Fiscal year	2064/065	2065/066	2066/067	2067/068	2068/069
Inventory	83803945	19198067	165834569	68480900	22710042
Debtor deceivable	24850710	67240827	48909797	19934313	48480506
Cash and Bank Balance	7179907	2576547	20702461	7897863	7484686
Prepaid expenses	136168393	283106106	236023710	116823424	304376015
Total	**136168393**	**283106106**	**236023710**	**116823424**	**304376015**

Appendix-4

Everest Sugar and Chemical Industries Limited
Ramnagar, Mahottari
Component of Current Liabilities

Particular/Fiscal year	2064/065	2065/066	2066/067	2067/068	2068/069
Creditors account payable	66473989	127892373	64384493	77060583	337937084
Total	**66473989**	**127892373**	**64384493**	**77060583**	**337937084**

Appendix-5

Everest Sugar and Chemical Industries Limited
Ramnagar, Mahottari
Component of Current Liabilities

In Rs. 100000

Fiscal year	Current assets X	Fixed	X^2	Y^2	XY
2064/2065	1361.69	5193.32	185499.66	34695280.60	8020721.76
2065/2066	2831.06	4968.17	8014900.72	42527353.69	18462191.58
2066/2067	2360.24	4754.08	5570732.86	41866982.02	1571862.11
2067/2068	1168.23	4644.02	1364761.33	25418234.72	5889806.78
2068/2079	3073.76	4683.09	9264474.24	18900582.35	13232685.72
Total	$\sum x = 10764.98$	$\sum xy =$	$\sum xy^2 = 26069069.51$	$Y^2 = 163408433.45$	**60877267.95**

Now,

$$r = \frac{N\sum XY - \sum X \sum Y}{\sqrt{N\sum X^2 - (\sum X)^2}\sqrt{N\sum Y^2 - (\sum y)^2}}$$

$$= \frac{5 \times 60877267.95 - 10764.98 \times 28271.17}{\sqrt{5 \times 260690.51 - (10764.98)^2}\sqrt{5 \times 163408433.45 - (28271.17)^2}}$$

$= 0.0029$

Probable error (PE)

$$= \frac{1 - r^2}{\sqrt{N}} \times 0.6745$$

$$= \frac{1 - (0.0029)^2}{\sqrt{5}} \times 0.6745$$

$= 0.3016$

Appendix-6

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Everest Sugar and Chemical Industries Limited
Ramnagar, Mahottari
<u>Current Assets And Fixed Assets</u>

</div>

In Rs. 100000

Fiscal year	Current assets X	Total	X^2	Y^2	XY
2064/2065	1361.69	589027	185499.66	34695280.60	8020721.76
2065/2066	2831.06	6521.30	8014900.72	42527353.69	18462191.58
2066/2067	2360.24	6470.47	5570732.86	41866982.02	1571862.11
2067/2068	1168.23	5041.65	1364761.33	25418234.72	5889806.78
2068/2079	3073.76	4347.48	9264474.24	18900582.35	13232685.72
Total	$\sum x = 10764.98$	$\sum xy = 24243.68$	$\sum xy^2 = 26069069.51$	$Y^2 = 117762735.47$	52039965.61

Now, $r = \dfrac{N\sum XY - \sum X \sum Y}{\sqrt{N\sum X^2 - (\sum X)^2}\sqrt{N\sum Y^2 - (\sum y)^2}}$

$= \dfrac{5 \times 60877267.95 - 10764.98 \times 28271.17}{\sqrt{5 \times 260690.51 - (10764.98)^2}\sqrt{5 \times 117762753 - (24243.68)^2}}$

$= 0.200$

Probable error (PE) $= \dfrac{1-r^2}{\sqrt{N}} \times 0.6745$

$= \dfrac{1-(-0.00)^2}{\sqrt{5}} \times 0.6745$

$= 0.289$

Appendix-7

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Everest Sugar and Chemical Industries Limited

Ramnagar, Mahottari

Current Assets And Sales

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In Rs. 100000

Fiscal year	Current assets X	Sales	X²	Y²	XY
2064/2065	1361.69	3914.87	185499.66	15326207.12	5330839.33
2065/2066	2831.06	4945.84	8014900.72	24461333.31	14001969.79
2066/2067	2360.24	5222.30	5570732.86	27272417.29	12325881.35
2067/2068	1168.23	5700.48	1364761.33	32495472.23	6659471.75
2068/2079	3073.76	5022.85	9264474.24	25229022.12	1528849.92
Total	$\sum x = 10764.98$	$\sum xy = 24806.34$	$\sum xy^2 = 26069069.51$	Y²=124784452.07	536065121.14

Now, $r = \dfrac{N\sum XY - \sum X \sum Y}{\sqrt{N\sum X^2 - (\sum X)^2}\sqrt{N\sum Y^2 - (\sum y)^2}}$

$= \dfrac{5 \times 53606512.14 - 10764.98 \times 24806.34}{\sqrt{5 \times 2669069.51 - (10764.98)^2}\sqrt{5 \times 124784452.07 - (24243.68)^2}}$

=0.089

Probable error (PE) $= \dfrac{1 - r^2}{\sqrt{N}} \times 0.6745$

$= \dfrac{1 - (-0.008)^2}{\sqrt{5}} \times 0.6745$

=0.289

Appendix-8

Everest Sugar and Chemical Industries Limited
Ramnagar, Mahottari
<u>Net working capital and current assets</u>

In Rs. 100000

Fiscal year	NWC X	CA Y	X^2	Y^2	XY
2064/2065	696.94	1361.69	485725.36	1854199.66	949016.23
2065/2066	1552.14	2831.06	2409138.58	8014900.72	4394201.23
2066/2067	1716.39	2360.24	2945334.63	5570732.86	4051092.33
2067/2068	397.63	1168.23	15109.62	1364761.33	464523.29
2068/2079	355.61	3043.76	112634.07	9264474.94	1021516.29
Total	$\sum x$=4027.49	$\sum xy = 10764.98$	$\sum xy^2 = 5886334.12$	Y^2=26069069.51	XY 8837317.03

Now, $r = \dfrac{N\sum XY - \sum X \sum Y}{\sqrt{N\sum X^2 - (\sum X)^2}\sqrt{N\sum Y^2 - (\sum y)^2}}$

$= \dfrac{5 \times 8837317.03 - 4027.49 \times 10744.98}{\sqrt{5 \times 588634.12 - (4022.49)^2}\sqrt{5 \times 26069069.51 - (10764.98)^2}}$

$=0.060$

Probable error (PE) $= \dfrac{1-r^2}{\sqrt{N}} \times 0.6745$

$= \dfrac{1-(-0.060)^2}{\sqrt{5}} \times 0.6745$

$=0.3004$

Appendix-9

Everest Sugar and Chemical Industries Limited
Ramnagar, Mahottari
Inventory and current assets

In Rs. 100000

Fiscal year	Inventory X	CA Y	X^2	Y^2	XY
2064/2065	838.04	1361.69	702311.04	1854199.66	1141150.69
2065/2066	1919.81	2831.06	3685670.44	8014900.72	5435097.30
2066/2067	1658.35	2360.24	2750124.72	5570732.86	3914104.00
2067/2068	684.81	1168.23	420954.42	1364761.33	800015.59
2068/2079	2271.21	3043.76	5158394.86	9264474.94	6913018.15
Total	$\sum x = 7336.22$	$\sum xy = 10764.98$	$\sum xy^2 = 12717455.48$	$Y^2 = 26069069.57$	XY=18203385.73

Now, $r = \dfrac{N\sum XY - \sum X \sum Y}{\sqrt{N\sum X^2 - (\sum X)^2}\sqrt{N\sum Y^2 - (\sum y)^2}}$

$= \dfrac{5 \times 18203385.73 - 7336.22 \times 10764.98}{\sqrt{5 \times 12717455 - (7336.22)^2}\sqrt{5 \times 26069069.51 - (10776.98)^2}}$

$=1.1033$

Probable error (PE) $= \dfrac{1-r^2}{\sqrt{N}} \times 0.6745$

$= \dfrac{1-(-0.013)^2}{\sqrt{5}} \times 0.6745$

$=0.0078$

Appendix-10

Everest Sugar and Chemical Industries Limited
Ramnagar, Mahottari
<u>Cash/Bank and Current Assets</u>

In Rs. 100000

Fiscal year	Cash/Bank X	CA Y	X^2	Y^2	XY
2064/2065	71.80	1361.69	5155.24	1854199.66	97769.34
2065/2066	25.77	2831.06	664.09	8014900.72	72956.42
2066/2067	20.70	2360.24	428.49	5570732.86	48856.97
2067/2068	78.98	1168.23	6237.84	1364761.33	92266.81
2068/2079	74.85	3043.76	5602.52	9264474.94	227828.44
Total	$\sum x = 272.1$	$\sum y = 10764.98$	$\sum xy^2 = 18088.18$	$Y^2 = 26069069.57$	XY=539674.98

Now, $\quad r \quad = \quad \dfrac{N \sum XY - \sum X \sum Y}{\sqrt{N \sum X^2 - (\sum X)^2}\sqrt{N \sum Y^2 - (\sum y)^2}}$

$= \dfrac{5 \times 539674.98 - 272.1 \times 10764.98}{\sqrt{5 \times 18088.18 - (272.49)^2}\sqrt{5 \times 26069069.51 - (10764.98)^2}}$

=-0.474

Probable error (PE) $\quad = \dfrac{1 - r^2}{\sqrt{N}} \times 0.6745$

$= \dfrac{1 - (-0.474)^2}{\sqrt{5}} \times 0.6745$

=0.234

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Appendix-11

Everest Sugar and Chemical Industries Limited
Ramnagar, Mahottari
Inventory And Sales

In Rs. 100000

Fiscal year	Inventory X	Sales Y	X^2	Y^2	XY
2064/2065	838.04	3914.87	702311.04	15326207.12	3280817.65
2065/2066	1919.81	4945.84	3685670.44	24461333.31	9495073.09
2066/2067	1658.35	5222.30	2750124.72	27272417.29	8660401.21
2067/2068	684.81	5700.48	420954.42	32495472.23	3903745.71
2068/2079	2271.21	5022.85	5158394.86	25229022.12	11407947.15
Total	$\sum x = 7336.22$	$\sum y = 24806.34$	$\sum xy^2 = 12717455.48$	$Y^2 = 124784452.07$	$XY = 36747984.18$

Now, $r = \dfrac{N\sum XY - \sum X \sum Y}{\sqrt{N\sum X^2 - (\sum X)^2}\sqrt{N\sum Y^2 - (\sum y)^2}}$

$= \dfrac{5 \times 36747984.81 - 7336.22 \times 24806.34}{\sqrt{5 \times 12717455 - (7336.22)^2}\sqrt{5 \times 12784452.07 - (24806.34)^2}}$

=-0.192

Probable error (PE) $= \dfrac{1 - r^2}{\sqrt{N}} \times 0.6745$

$= \dfrac{1 - (-0.192)^2}{\sqrt{5}} \times 0.6745$

=0.0291

Appendix-12

Everest Sugar and Chemical Industries Limited
Ramnagar, Mahottari
Cash/Bank and Sales

In Rs. 100000

Fiscal year	Cash/Bank X	CA Y	X^2	Y^2	XY
2064/2065	71.80	3914.97	5155.24	15326207.12	281087.67
2065/2066	25.77	4945.84	664.09	24461333.31	127454.30
2066/2067	20.70	522.30	428.49	27272417.29	108101.61
2067/2068	78.98	5700.48	6237.84	32495472.23	450223.91
2068/2079	74.85	5022.85	5602.52	25229022.12	375960.32
Total	$\sum x=272.1$	$\sum y = 24806.34$	$\sum xy^2 = 18088.18$	$Y^2=124784452.07$	XY=1342827.81

Now,

$$r = \frac{N\sum XY - \sum X \sum Y}{\sqrt{N\sum X^2 - (\sum X)^2}\sqrt{N\sum Y^2 - (\sum y)^2}}$$

$$= \frac{5 \times 1342827.81 - 272.1 \times 24606.34}{\sqrt{5 \times 18088.18 - (272.49)^2}\sqrt{5 \times 124784452.07 - (24806.34)^2}}$$

$$=-0.0943$$

Probable error (PE)

$$=\frac{1-r^2}{\sqrt{N}} \times 0.6745$$

$$=\frac{1-(-0.0943)^2}{\sqrt{5}} \times 0.6745$$

$$=0.30$$

Appendix-13

Everest Sugar and Chemical Industries Limited
Ramnagar, Mahottari
Net working capital and Sales

In Rs. 100000

Fiscal year	NWC X	Sales Y	X^2	Y^2	XY
2064/2065	696.94	3914.87	485725.36	15326207.12	2728429.50
2065/2066	1552.14	4945.84	2409138.58	24461333.31	7676636.10
2066/2067	1716.39	522.30	2945334.63	27272417.29	8963503.50
2067/2068	397.63	5700.48	15109.62	32495472.23	2266681.86
2068/2079	355.61	5022.85	112634.07	25229022.12	1685718.69
Total	$\sum x=4027.49$	$\sum Y = 24806.34$	$\sum xy^2 = 5886334.12$	$Y^2=124784452.07$	XY=19949532.27

Now, $\quad$ r $\quad = \dfrac{N\sum XY - \sum X \sum Y}{\sqrt{N\sum X^2 - (\sum X)^2}\sqrt{N\sum Y^2 - (\sum y)^2}}$

$\qquad$ Probable error (PE) $\qquad = \dfrac{1-r^2}{\sqrt{N}} \times 0.6745$

$= \dfrac{5 \times 19949532.27 - 4027.49 \times 24806.34}{\sqrt{5 \times 588634.12 - (4022.49)^2}\sqrt{5 \times 124784452.07 - (24806.34)^2}}$

$\qquad = \dfrac{1-(-0.0150)^2}{\sqrt{5}} \times 0.6745$

$=0.0150$

$\qquad =0.302$

Appendix-14

Everest Sugar and Chemical Industries Limited
Ramnagar, Mahottari
Net working capital and Sales

In Rs. 100000

Fiscal year	Debtors X	Sales Y	X^2	Y^2	XY
2064/2065	248.51	3914.87	61757.22	15326207.12	972884.34
2065/2066	672.41	4945.84	452135.21	24461333.31	335632.27
2066/2067	489.03	522.30	239209.03	27272417.29	2554174.71
2067/2068	199.34	5700.48	39736.44	32495472.23	133633.68
2068/2079	485.81	5022.85	235040.74	25229022.12	2435127.91
Total	$\sum x = 2094.16$	$\sum Y = 24806.34$	$\sum xy^2 = 24806.34$	$Y^2 = 124784452.07$	$XY = 10424152.91$

Now,

$$r = \frac{N \sum XY - \sum X \sum Y}{\sqrt{N \sum X^2 - (\sum X)^2}\sqrt{N \sum Y^2 - (\sum y)^2}}$$

$$= \frac{5 \times 10424152.91 - 2094.16 \times 24806.34}{\sqrt{5 \times 102787864.64 - (2094.16)^2}\sqrt{5 \times 124784452.07 - (24806.34)^2}}$$

$$= 0.068$$

Probable error (PE)

$$= \frac{1 - r^2}{\sqrt{N}} \times 0.6745$$

$$= \frac{1 - (-0.068)^2}{\sqrt{5}} \times 0.6745$$

$$= 0.30$$

Appendix-15

<div align="center">

Everest Sugar and Chemical Industries Limited
Ramnagar, Mahottari
<u>Sales & Gross Profit</u>

</div>

In Rs. 100000

Fiscal year	Sales X	Gross Profit Y	X^2	Y^2	XY
2064/2065	3914.87	912.06	15326207.12	831853.44	3570267.99
2065/2066	4945.84	904.14	24461333.31	817469.14	4471731.78
2066/2067	522.30	1065.06	27272417.29	1134352.80	5562062.84
2067/2068	5700.48	1341.63	32495472.23	1799971.06	764794.98
2068/2079	5022.85	1077.60	25229022.12	1161221.76	5412623.16
Total	$\sum x$=24806.34	$\sum Y = 5300.49$	$\sum xy^2 = 124784452.07$	Y^2=5744868.2	XY=26664620.75

Now, $\quad r \quad = \quad \dfrac{N \sum XY - \sum X \sum Y}{\sqrt{N \sum X^2 - (\sum X)^2}\sqrt{N \sum Y^2 - (\sum y)^2}}$

$= \dfrac{5 \times 126664620.75 - 24806.34 \times 5300.49.34}{\sqrt{5 \times 124784452.07 - (24806.34)^2}\sqrt{5 \times 57448682.2 - (5300.49)^2}}$

=0.079

Probable error (PE) $\quad = \dfrac{1 - r^2}{\sqrt{N}} \times 0.6745$

$= \dfrac{1 - (-0.079)^2}{\sqrt{5}} \times 0.6745$

=0.1133

Appendix-16

<div align="center">

Everest Sugar and Chemical Industries Limited
Ramnagar, Mahottari
Operating Cost & Sales

</div>

In Rs. 100000

Fiscal year	Operating X	Sales Y	X^2	Y^2	XY
2064/2065	3236.41	3914.87	10472407.93	15326207.12	12667784.96
2065/2066	4109.49	4945.84	16887908.06	24461333.31	20324880.02
2066/2067	4321.48	522.30	18675189.39	27272417.29	22568065.00
2067/2068	4557.21	5700.48	20768162.98	32495472.23	25978284.46
2068/2079	4114.06	5022.85	1632589.68	25229022.12	20664306.27
Total	$\sum x=20338.35$	$\sum Y = 24806.34$	$\sum xy^2 = 83729158.04$	$Y^2=124784452.07$	XY=102203320.71

Now,　r　$= \dfrac{N\sum XY - \sum X \sum Y}{\sqrt{N\sum X^2 - (\sum X)^2}\sqrt{N\sum Y^2 - (\sum y)^2}}$

$= \dfrac{5\times102203320.71 - 20338.35\times24806.34}{\sqrt{5\times83729158.04 - (20338)^2}\sqrt{5\times124784452.07 - (24806.34)^2}}$

=0.993

Probable error (PE)　$= \dfrac{1-r^2}{\sqrt{N}} \times 0.6745$

$= \dfrac{1-(-0.993)^2}{\sqrt{5}} \times 0.6745$

=0.0043

Appendix-17

Everest Sugar and Chemical Industries Limited
Ramnagar, Mahottari
<u>Operating Cost & Sales</u>

In Rs. 100000

Fiscal year	Quick assets X	Current Liabitilies Y	X^2	Y^2	XY
2064/2065	320.34	667.47	102598.50	441520.38	212836.39
2065/2066	698.17	1278.92	487441.35	1635636.37	892903.58
2066/2067	509.79	643.84	259885.84	414529.95	328223.19
2067/2068	278.32	770.61	77462.02	593839.77	214476.18
2068/2079	559.65	3379.37	313208.12	1142141.60	1891264.42
Total	$\sum x = 2366.24$	$\sum Y = 6737.21$	$\sum xy^2 = 1240595.83$	$Y^2 = 14505668.07$	XY=3539703.76

Now, $r = \dfrac{N\sum XY - \sum X \sum Y}{\sqrt{N\sum X^2 - (\sum X)^2}\sqrt{N\sum Y^2 - (\sum y)^2}}$

$= \dfrac{5 \times 3539703.76 - 2366.248 \times 6737.21}{\sqrt{5 \times 83729158.04 - (2366.24)^2}\sqrt{5 \times 14505668.07 - (6737.21)^2}}$

=0.434

Probable error (PE) $= \dfrac{1-r^2}{\sqrt{N}} \times 0.6745$

$= \dfrac{1-(-0.434)^2}{\sqrt{5}} \times 0.6745$

=0.0245

Appendix-18

Everest Sugar and Chemical Industries Limited
Ramnagar, Mahottari
Current Assets & Current Liabilities

In Rs. 100000

Fiscal year	Current assets X	Current Liabilities Y	X^2	Y^2	XY
2064/2065	1361.69	667.47	1854199.66	441520.38	904802.15
2065/2066	2831.06	1278.92	8014900.72	1635636.37	3620699.26
2066/2067	2360.24	643.84	5570732.86	414529.95	1519616.92
2067/2068	1168.23	770.61	1364761.33	593839.77	900249.72
2068/2079	3043.76	3379.37	9264474.94	1142141.60	10285991.23
Total	$\sum x = 10764.98$	$\sum Y = 6737.21$	$\sum xy^2 = 26069069.57$	$Y^2 = 14505668.07$	XY=17231359.28

Now, $r = \dfrac{N\sum XY - \sum X \sum Y}{\sqrt{N\sum X^2 - (\sum X)^2}\sqrt{N\sum Y^2 - (\sum y)^2}}$

$= \dfrac{5\times 17231359 - 10764.98\times 6737.21}{\sqrt{5\times 26069069.51 - (10764.98)^2}\sqrt{5\times 3085526.47 - (6737.21)^2}}$

=0.69

Probable error (PE) $= \dfrac{1-r^2}{\sqrt{N}} \times 0.6745$

$= \dfrac{1-(-0.69)^2}{\sqrt{5}} \times 0.6745$

=0.158

Appendix-18

<div align="center">

Everest Sugar and Chemical Industries Limited

Ramnagar, Mahottari

Current Assets & Current Liabilities

</div>

In Rs. 100000

Fiscal year	Net Profit X	Sales Y	X^2	Y^2	XY
2064/2065	211.13	3914.87	44575.88	1532620.12	82656.50
2065/2066	13.76	4945.84	189.34	24461333.31	68054.76
2066/2067	129.37	522.30	16736.60	2727247.29	675608.95
2067/2068	272.49	5700.48	13878.80	324954.23	2123371.80
2068/2079	264.98	5022.85	70214.40	25229022.12	1330954.79
Total	$\sum x = 569.47$	$\sum Y = 24806.34$	$\sum xy^2 = 181313.26$	$Y^2 = 124784452.07$	XY=3371443.80

Now, $r = \dfrac{N\sum XY - \sum X \sum Y}{\sqrt{N\sum X^2 - (\sum X)^2}\sqrt{N\sum Y^2 - (\sum y)^2}}$

$= \dfrac{5 \times 3571443.80 - 569.47 \times 24806.34}{\sqrt{5 \times 181313.26 - (569.47)^2}\sqrt{5 \times 124784452.07 - (24806.34)^2}}$

=1.223

Probable error (PE) $= \dfrac{1 - r^2}{\sqrt{N}} \times 0.6745$

$= \dfrac{1 - (-0.1223)^2}{\sqrt{5}} \times 0.6745$

=0.150

Everest Sugar & Chemical Industries Ltd.
Ramnagar, Mahottari
Income Statement

Particulars/Fiscal year	2064/065	2065/066	2066/067	2067/068	2068/069
Sales	50228546.25	570048385.97	522230162.08	494584066.54	391486620
Less: Cost of sales	394524909.19	435885139.30	415724495.26	404170445.93	300280563

Gross profit	10776033.06	134163246.67	106505666.82	90113620.59	91206057
Less Business Expenditures:					
office & Adm. Expenses	16143803.90	18317831.82	14339462.75	1567068.44	15943384
selling & Distribution Expenses	737179.97	1518372.67	2083759.90	5211541.73	7386905
operating profit	90879353.19	11432704.18	90082444.27	83635010.42	6787568
Less: Financial expenses	31738736.78	39432723.28	46946400.83	52310425.74	60068847
Less: Deprecation	31656742.61	30647324.58	3018225.47	29892749.12	28831744
Less: Pollution Control Expenses	-	189240	-	-	-
Less: Bad debt written off	551313.26	6623331.05	-	-	-
Less: Account Written off	434277.91	185894.06	17254.56	95626.93	88139
Net Profit Before Income Tax	26498282.60	2724519.11	12936535.41	137608.63	21112962
Less: Bonus Provision	111486.83	299306.29	-	-	-
Less : Income tax & Special fee	274153	745000	-	-	-
Net Profit after Tax	26112642.77	36204212.62	12936535.41	1376208.63	21112962
P/L brought forward from last Year	38383919.49	74588132.31	87524667.72	88900876.35	67788914.35
Prior period adjustment	-	-	-	-	-
Balance of profit transfer to BS	122271276.72	38383919.49	74588132.31	87524667.72	88900876.35

Everest Sugar & Chemical Industries Ltd.
Ramnagar, Mahottari
Income Statement

Particulars/Fiscal year	2064/065	2065/066	2066/067	2067/068	2068/069
Capital & Liabilities					
Capital & reserve fund					
Share capital and reserve fund	270800000	2700800000	270800000	240800000	220800000
Mid & Long term loan:					
Secured loan	286219396.72	271748671.70	450834949.10	498391595.86	443399112
Unsecured loan				463500.56	17676671
Total liabilities & equity	557019369.72	542548671.70	721634949.10	739655096.46	681875783
Assets					
Fixed assets (A)	468309188.03	464401910.71	475407569.29	496916694.64	519332791
Current assets:					
Inventory	227120642.46	68480900.50	165834569.44	191980670.43	83803945
Business & other A/R	48480506.35	19934313.07	48908796.90	67240827.15	24850710
Cash & other balance	7484685.79	7897863.06	2070245.96	2576547.50	7179907
Prepaid & advance	21290181.46	20510347.94	19210098.09	21308061.71	20333831
Total current assets	**304376016.06**	**116823424.57**	**236023710.39**	**283106106.69**	**136168394**
Less: current liabilities & provisions					
Business & other account payable	337937084.09	77060583.07	64384462.89	127892372.63	66473989
Net current assets (B)	**33561068.03**	**39762841.50**	**171639247.50**	**155213734.06**	**69694405**
Total assets (A+B)	**434748120**	**504164752.21**	**647046816.79**	**652130428.70**	**589027196**
Deferred revenue					3947711
P/L account balance	12227127.72	3838919.49	74588132.31	87524667.72	88900876
Total	**557019396.72**	**542548671.70**	**721634949.10**	**739655096.42**	**681875783**

CURRICULUM-VITAE

Name	**:-**	Ram Binay Ash
Father name	:-	Mr. Mahanth Ash
Date of birth	:-	2042/01/04 BS
Gender	:-	Male
Permanent Address	:-	VDC Bharatpur-4
District	:-	Mahottari
Zone	:-	Janakpur
Contact No.	:-	9844024048, 9807879334
Nationality	:-	Nepali
Religion	:-	Hindu
Marital Status	:-	Single
Height	:-	5'6"
Weight	:-	58 kg
Language Known	:-	English, Nepali, Maithili, Hindi
Hobby	:-	Social work and friendship

Academic Qualification

Level	Institute/Inveracity	Passed Year	Division
S.L.C.	HMG of Nepal	2059	2nd
I.Com	HSEB	2062	2nd
B.B.S.	TU	2065	2nd
M.B.S.	TU	2068	2nd

Technical Background

☞ New A to Z computer center 6 months training as Financial Accounting Package

Professional Experience

☞ I have worked 18 months as a teacher in Arniko Secondary Boarding School and other organization.