

REVENUE PLANNING MANAGEMENT IN NEPAL TELECOM LTD.

By:

PRAKASH ACHARYA

T.U. Regd. No: 10817-95

Campus Roll No: 547/063

A Thesis Submitted To:

Office of the Dean

Faculty of Management

Tribhuban University

**In partial fulfillment of the requirements for the Degree of
Masters of Business Studies (M.B.S.)**

Putalisadak, Kathmandu

September, 2010

RECOMMENDATION

This is to certify that this thesis:

Submitted by:

PRAKASH ACHARYA

Entitled

**REVENUE PLANNING MANAGEMENT IN NEPAL TELECOM
LTD.**

has been prepared as approved by this department in the prescribed format of the Faculty of Management. This thesis is forwarded for the examination.

.....

Joginder Goet

(Thesis Supervisor)

.....

Dr. Biseshwore Man Shrestha

(Head of the Research Department)

.....

Prof. Dr. Kamal Deep Dhakal

(Campus Chief)

Date:

VIVA-VOCE SHEET

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

PRAKASH ACHARYA

Entitled:

REVENUE PLANNING MANAGEMENT IN NEPAL TELECOM LTD.

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

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

Viva-Voce Committee

Chairperson (Research Department)

Member (Thesis Supervisor)

Member (External Expert)

Date:.....

ACKNOWLEDGEMENT

This dissertation entitled "**REVENUE PLANNING MANAGEMENT IN NEPAL TELECOM LTD.**" is related to the revenue management of Nepal Telecom Ltd.

I am very much indebted to my respected teacher and thesis advisor Mr. Joginder Goet for his encouragement in writing this thesis in time. His kind cooperation in the completion of this thesis is most appreciated.

I would like to thank my heartiest friend Pashupati Silwal for his help and support in typing the text.

Lastly, but not the least, my parents' support, cooperation and encouragement in preparing this study is extremely acknowledged.

Prakash Acharya
Researcher

DECLARATION

I hereby declare that the work reported in this dissertation entitled “**REVENUE PLANNING MANAGEMENT IN NEPAL TELECOM LTD.**” submitted to Shanker Dev Campus, Faculty of Management, T.U. The research is in the form of partial fulfillment of the requirement for the Masters of Business Studies (M.B.S.) under the supervision of **Mr. Joginder Goet**, Shanker Dev Campus.

Prakash Acharya

Shanker Dev Campus

T.U. Regd. No. 10817-95

Campus Roll No.: 547/063

TABLE NO.OF CONTENTS

	Page No.
CHAPTER 1 INTRODUCTION	1-19
1.1 General Background	1
1.2 Brief Profile of Nepal Telecom Ltd.	2
1.3 Statement of the Problem	5
1.4 Objectives of the Study	6
1.5 Significance of the Study	6
1.6 Limitation of the Study	7
1.7 Organization of the Study	7
CHAPTER 2 CONCEPTUAL FRAMEWORK AND REVIEW OF LITERATURE	9-29
2.1 Conceptual Framework	9
2.1.1 Concept of Revenue Planning	9
2.1.2 Components of Revenue Planning	11
2.1.2.1 Revenue	11
2.1.2.2 Planning	11
2.1.2.3 Basic Assumptions and Limitations of Revenue Plan	13
2.1.3 Implementation of Revenue Plan	14
2.2 Budgeting as a tool of Revenue Planning	15
2.3 Forecasting	16
2.3.1 Level of Forecasting	18
2.4 Forecasting and Planning	20
2.4.1 The role of Forecasting in Planning	20
2.5 Budgeting: As a Tool of Revenue Planning	21
2.5.1 Advantages of Budgets and Budgetary Control	23
2.5.2 Objectives of budgets and budgetary control	25
2.5.3 Limitations of budgeting	25

2.5.4	Essentials of an effective budgeting	26
2.5.5	Types of budgets	29
2.6	Fundamentals of Revenue Planning and Control	30
2.7	Components Of Comprehensive Revenue Planning And Control Program	37
2.8	Merits of Revenue Planning and Control	41
2.9	Basic Assumption of Revenue Planning	42
2.10	Limitation	43
2.11	Development of Revenue Plan	43
2.11.1	Sales Budget or Sales Plan	44
2.11.1.2	Sales Planning and Forecasting	45
2.11.1.3	Strategic and tactical Sales Plan	45
2.11.1.4	Development of Comprehensive Sales Plan	46
2.11.2	Production plan / budget	46
2.11.3	Material and Purchase Plan	48
2.11.4	The purchases and Materials Inventory Budget	49
2.11.5	Capital Budgeting	50
2.11.6	Planning of Cash Flows	53
2.12	Analysis of Variances (Budget Variances)	55
2.13	Review of Related Studies	57

CHAPTER3 RESEARCH METHODOLOGY 29-33

3.1	Research Design	65
3.2	Population of sample	66
3.3	Sources of Data	66
3.4	Data Collection Technique	67
3.5	Data Analysis Tools	67
3.5.1	Statistical Tools	67
3.5.2	Financial Tools	67
3.6	Research Variables	67

CHAPTER 4 PRESENTATION AND ANALYSIS OF DATA	68-114	
4.1	Introduction	68
4.2.	Revenue Planning	68
4.2.1	Relationship between Budgeted and Actual Sales	69
4.2.2	Relationship between Budgeted Collection & Actual Collection	70
4.2.3	Product wise Revenue Collection of NTC	71
4.2.4	Relationship between Budgeted Cost and Total Cost	73
4.2.5	Relationship between Sales and Cost	74
4.3	Ratio Analysis	74
4.3.1.	Liquidity Ratio	75
4.3.1.1	Current Ratio (CR)	75
4.3.1.2	Quick Ratio/ Acid Test Ratio	77
4.3.2	Turnover Ratio / Activity Ratio	79
4.3.2.1	Inventory Turnover Ratio (ITR)	79
4.3.2.2	Average Age of Inventory	80
4.3.2.3	Debtors Turnover Ratio (DTR)	81
4.3.2.4	Average Collection Period (ACP)	83
4.3.2.5	Total Assets Turnover Ratio	84
4.3.2.6	Fixed Assets Turnover Ratio (FATR)	86
4.3.2.7	Working Capital Turnover Ratio (WCT)	87
4.3.2.8	Capital Employed Turnover Ratio (CET)	89
4.3.3	Leverage Ratio	91
4.3.3.1	Total Debt Ratio (TDR)	92
4.3.3.2	Debt Equity Ratio (DE)	94
4.3.3.3	Long Term Debt to Capital employed ratio (LTD to CE)	96
4.3.3.4	Interest Coverage Ratio(IC)	97
4.3.4	Profitability Ratio	99
4.3.4.1	Net Profit Margin (NPM)	100
4.3.4.2	Modified Net Profit Margin (MNP)	102
4.3.4.3	Operating Expenses Ratio (OE)	103

4.3.4.4	Return on Assets Ratio (ROI)	105
4.3.4.5	Return on Capital Employed (ROCE)	106
4.3.4.6	Return on Equity (ROE)	108
4.4	Statistical Analysis	110
4.4.1	Correlation and Regression Analysis	110
4.4.1.1	Correlation & Regression analysis of Gross Domestic Product (GDP) and Sales Revenue	110
4.4.1.2	Correlation & Regression Analysis of Investments (Total Assets) and Profit	111
4.4.1.3	Correlation & Regression Analysis of sales revenue and Total Cost	113
4.4	Major Findings of the Study	114

CHAPTER 5 SUMARRY, CONCLUSIONS AND RECOMMENDATIONS 115-124

6.1	Summary	116
6.2	Conclusions	118
6.3	Recommendations	122

BIBILOGRAPHY

APPENDIX

LIST OF TABLES

Table No.	Title	Page No.
Table No.4.1	Budgeted and Actual Sales	69
Table No. 4.2	Relationship between Budgeted Collection & Actual Collection	70
Table No. 4.3	Product Wise Revenue Collection	71
Table No. 4.4	Budgeted Cost and Actual Cost	73
Table No 4.5	Relationship between Sales and Cost	74
Table No.4.6	Calculation of Current Ratio	76
Table No.4.7	Calculation of Quick Ratio	77
Table No.4.8	Calculation of Inventory Turnover Ratio	79
Table No.4.8	Calculation of Average Age of Inventory	81
Table No.4.9	Calculation of Debtors Turnover Ratio	82
Table No.4.10	Calculation of Average Collection Period	83
Table No.4.11	Calculation of Total Assets Turnover Ratio	84
Table No.4.12	Calculation of Fixed Assets Turnover Ratio	86
Table No.4.13	Calculation of Working Capital Turnover Ratio	88
Table No.4.14	Calculation of Capital Employed Turnover Ratio	90
Table No.4.15	Calculation of Total Debt Ratio	92
Table No.4.16	Calculation of Debt Equity Ratio	94
Table No.4.17	Calculation of Long - Term Debt to Capital Employed Ratio	96
Table No.4.18	Calculation of Interest Coverage Ratio	98
Table No.4.19	Calculation of Net Profit Margin Ratio	100
Table No.4.20	Calculation of Net Profit Margin Ratio	102
Table No.4.21	Calculation of Operating Expenses Ratio	103
Table No.4.22	Calculation of Return on Assets Ratio	105
Table No.4.23	Calculation of Return on Capital Employed Ratio	107
Table No.4.24	Calculation of Return on Equity Ratio	108

LIST OF FIGURES

Figure No.	Title	Page No.
Figure 4.1	Budgeted and Actual Sales of NTC	70
Figure 4.2	Total Revenue Collections	72
Figure 4.3	Budgeted Costs and Actual Cost	73
Figure 4.4	Net Fixed Assets of Nepal telecom	86
Figure 4.5	Total Capital Employed	90
Figure 4.6	Total Debt of Nepal Telecom	93
Figure 4.7	Total Net Worth of Nepal Telecom	95
Figure 4.8	Net Profit of NTC	101
Figure 4.9	Operating Expenses of NTC	104
Figure 4.10	Return on Equity of NTC	109

LIST OF ABBREVIATIONS

ACP:	Average Collection Period
B.S.	Bikram Sambat
CR:	Current Ratio
DTR:	Debtors Turnover Ratio
F/Y	Fiscal Years
GDP:	Gross Domestic Product
GON:	Government of Nepal
INGOs:	International Non Government Organization
MoF:	Ministry of Finance
NGOs:	Non Government Organization
No.	Number
NPAT:	Net Profit after Tax
NPM:	Net Profit Margin
NTC:	Nepal Telecom
OE:	Operating Expenses
PANs:	Permanent Account Number
PEs:	Public Enterprises
ROA:	Return on Assets
ROCE:	Return on Capital Employed
ROE:	Return on Equity
Rs:	Rupees
S.N.	Serial Number
SAARC:	South Asian Association of Regional Corporation
T.U.:	Tribhuvan University
VAT:	Value Added Tax
WCT:	Working Capital Turnover