

**A STUDY ON CASH  
ESTIMATION PRACTICES  
OF NEPAL DRUGS LIMITED**



**A THESIS**

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# **Tribhuvan University**

**Faculty of Management**

## **Shanker Dev Campus**

**Putali Sadak  
Kathmandu Nepal**

**Ref.: .....**

**Date: .....**

### **RECOMMENDATION**

This is to certify that the thesis

**Submitted by:  
Kumari Lama**

Entitled  
**"A Study on Cash Estimation Practices of Nepal Drugs Limited"**

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

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### **VIVA- VOCE SHEET**

We have conducted viva-voce examination of the thesis presented

**By:  
KUMARI LAMA**

Entitled

**"A Study on Cash Estimation Practices of Nepal Drugs Limited"**

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

**Master of Business Studies (MBS)**

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Member (Thesis Supervisor)	.....
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## DECLARATION

I hereby declare that the work reported in this thesis entitled “**A Study on Cash Estimation Practices of Nepal Drugs Limited**” submitted to the Office Of the Dean, Faculty of Management, Tribhuvan University, is my original work done in the form of partial fulfillment of the requirement of the degree of Master of Business Studies (MBS) prepared under the supervision of Mr.Yamesh Man Singh Reader of Shanker Dev Campus..

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**Kumari Lama**  
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## ABBREVIATIONS

A/C	Account
A/R	Account Receivable
C.V.	Coefficient Variation
DDA	Department of Drugs Administration
FY	Fiscal Year
GDP	Gross Domestic Product
NDL	Nepal Drugs Limited
NDP	Nepal Drugs Policy
NPAT	Net Profit After Tax
OH	Overhead
P.E.	Probable Error

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## Appendix I

Table -26 Trend Analysis of Cash and Balances

(Rs. Million)

Fiscal year	(Y) Cash and Bank	Deviation from (2060/61) (X)	XY	X <sup>2</sup>
2057/58	3.79	-3	-11.37	9
2058/59	4.50	-2	-9	4
2059/60	2.94	-1	-2.94	1
2060/61	3.76	0	0	0
2061/62	44.69	1	44.69	1
2062/63	4.67	2	9.34	4
2063/64	3.97	3	11.91	9
<b>Total</b>	<b>∑Y=68.32</b>	<b>∑X=0</b>	<b>∑XY=42.63</b>	<b>∑X<sup>2</sup>=28</b>

The equation of straight line trend is given by

$$Y_c = a + bx$$

$$\text{Here, } a = \frac{\sum Y}{N} = \frac{68.32}{7} = 9.76$$

$$b = \frac{\sum XY}{\sum X^2} = \frac{42.63}{28} = 1.52$$

$$Y_c = a + bx$$

$$= 9.76 + 1.52 X$$

**When X=2065**

**Then, x=2065-2061=4**

**Now, 9.76+1.52X4=15.84**

**Again When X=2066**

**Then 2066-2061=5**

**Now, 9.76+1.52X5=17.36 .....**

## Appendix II

Table -27 Trend Analysis of Current Assets

(Rs. Million)

Fiscal year	(Y) Current Assets	Deviation from (2060/61) (X)	XY	X <sup>2</sup>
2057/58	109.87	-3	-329.61	9
2058/59	94.24	-2	-188.48	4
2059/60	88.65	-1	-88.65	1
2060/61	99.85	0	0	0
2061/62	122.30	1	122.30	1
2062/63	74.90	2	149.80	4
2063/64	67.57	3	202.71	9
<b>Total</b>	<b>ΣY=657.38</b>	<b>ΣX=0</b>	<b>ΣXY=-131.93</b>	<b>ΣX<sup>2</sup>=28</b>

The equation of straight line trend is given by

$$Y_c = a + bx$$

$$\text{Here, } a = \frac{\sum Y}{N} = \frac{657.38}{7} = 93.91$$

$$b = \frac{\sum XY}{\sum X^2} = \frac{-131.93}{28} = -4.71$$

$$\begin{aligned} Y_c &= a + bx \\ &= 93.91 + (-4.71) X \end{aligned}$$

## Appendix III

Table -28 Trend Analysis of Current Liabilities

(Rs. Million)

Fiscal year	(Y) Current Liabilities	Deviation from (2060/61) (X)	XY	X <sup>2</sup>
2057/58	42.57	-3	-127.71	9
2058/59	42.83	-2	-85.66	4
2059/60	101.45	-1	-101.45	1
2060/61	116.83	0	0	0
2061/62	86.21	1	86.21	1
2062/63	75.70	2	151.40	4
2063/64	69.84	3	209.52	9
<b>Total</b>	<b>∑Y=535.43</b>	<b>∑X=0</b>	<b>∑XY=132.31</b>	<b>∑X<sup>2</sup>=28</b>

The equation of straight line trend is given by

$$Y_c = a + bx$$

$$\text{Here, } a = \frac{\sum Y}{N} = \frac{535.43}{7} = 76.49$$

$$b = \frac{\sum XY}{\sum X^2} = \frac{132.31}{28} = 4.72$$

$$Y_c = a + bx$$

$$= 76.49 + 4.72X$$

## Appendix IV

Table -29 Trend Analysis of Sales

(Rs. Million)

Fiscal year	(Y) Sales	Deviation from (2060/61) (X)	XY	X <sup>2</sup>
2057/58	114.31	-3	-342.93	9
2058/59	81.56	-2	-163.12	4
2059/60	60.11	-1	-60.11	1
2060/61	66.21	0	0	0
2061/62	51.81	1	51.81	1
2062/63	50.26	2	100.52	4
2063/64	52.70	3	158.10	9
Total	ΣY=476.96	ΣX=0	ΣXY=-255.73	ΣX <sup>2</sup> =28

The equation of straight line trend is given by

$$Y_c = a + bx$$

$$\text{Here, } a = \frac{\sum Y}{N} = \frac{476.96}{7} = 68.14$$

$$b = \frac{\sum XY}{\sum X^2} = \frac{-255.73}{28} = -9.13$$

$$\begin{aligned} Y_c &= a + bx \\ &= 68.14 + (-9.13) X \end{aligned}$$

## APPENDIX V

### TRIBHUWAN UNIVERSITY

#### Research Questionnaires for “cash estimation practices” of Nepal Drugs Limited.

Dear respondents, the answers of the following questions given by you will be used only for academic purpose and will be remained confidential.

Q1. What are the basic motives for holding cash in your organization?  
(Multiple answers are possible)

Transaction Motives

Precautionary Motives

Speculative Motives

Q2. Does your organization use “cash budgets”?

Yes  No

Q3. If “yes” how often do you prepare a cash budget?

a. Annually

b. Semi-annually

c. Monthly

d. Weekly

Q4. What methods do you follow to forecast your cash requirements?

a. Cash Budget Method

b. Ratio Analysis

c. Projected Balance-sheet Method

d. Mathematical models

Q5. What policy does your organization follow in respect of sales?

a. Cash Sales

- b. Credit Sales
- c. Cash and Credit Sales

Q6. Do your organizations maintain minimum cash balance?  
 Yes  No

Q7. If yes, do your organization makes any changes in this balance?  
 Yes  No

- Q8. If yes, on what conditions and circumstances you maintain?
- a. Seasonal Fluctuation in sales
  - b. To meet future contingencies
  - c. Others .....

Q9. If the cash balances of your organization exceeds minimum cash balance, do your Organization makes any investment of excess cash balance?  
 Yes  No

- Q10. If yes, on which assets investment is made?
- a. Buy T-bill or other securities
  - b. Deposit at bank
  - c. Use in business expansion
  - d. Other .....

- Q11. What your organization will do if cash balance falls below its minimum cash balance?
- a. Sell of securities
  - b. Bank borrowing
  - c. Through inventory
  - d. Others .....

Q12. Does your organization follow any specific method for cash collection?  
 Yes  No

- Q13. What major problems your organization is currently facing while managing the Cash?
- Problems
- a. Excess cash balance
  - b. Inadequate cash balance
  - c. Problem of effective utilization of cash

d. Other .....

Q14. Does your organization use any standard or certain methods or models for determining optimal cash balance?

Yes  No

Q15. Do you have uniform terms of credit allowed to customers?

Yes  No

Q16. Do you have a policy of charging interest on delayed payments?

Yes  No

Q17. Does your organization offer cash discount to the customers for early payment?

Yes  No

Q18. To What extent does your organization take advantage of cash discount offered by bank arrangement?

a. Always  b. Sometimes   
c. Rarely  d. Never

Q19. Is your organization able to discharge all short –term liabilities on due dates?

Yes  No

Q20. What are your suggestions to improve cash collection system?

a. Initiate Compromise   
b. Charging higher rate of interest   
c. Seek the health of collection agent   
d. Any others .....