A CASE STUDY ON BUDGETING AND PROFITABILITY OF MANAKAMANA DARSHAN PVT. LTD.

A THESIS

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VIVA-VOCE SHEET

We have conducted the viva-voce sheet examination of the thesis

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and found the thesis to be the original work of the student and written in according to the prescribed format. We recommend the thesis to be accepted as partial fulfillment of the requirements for the Degree of Master's in Business Studies (MBS)

Viva – Voce Committee:

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RECOMMENDATION

This is certify that the thesis

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

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DECLARATION

I hereby declare that the work reported in this thesis entitled "A Case Study on *Budgeting and Profitability of Manakamana Darshan Pvt. Ltd.***"**submitted to Nepal Commerce Campus, Faculty of Management, Tribhuvan University, is my original work done in the form of partial fulfillment of the requirements of the Master's Degree of Business Study under the supervision of Dhruba Raj Pokharel.

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Ramesh Bhattarai

Researcher

ABBREVIATIONS

B.S	Bikram Sambat
C.V	Coefficient of Variation
DDC	District Development Charge
Ed.	Edition
Etc	Etcetera
F.Y	Fiscal Year
i.e.	That is
Ltd	Limited
MBO	Management By Objectives
MDPL	Manakamana Darshan Pvt. Ltd.
MT	meter
NCC	Nepal Commerce Campus
NEA	Nepal Electricity Authority
NTC	Nepal Telecommunication Corporation
P.E	Probable Error
r	Regression Value
S.D.	Standard Deviation
SWOT	Strength, Weakness, Opportunity and Threats.
T.U	Tribhuvan University
US$	United States Dollar
VAT	Value Added Tax

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Chapter I

INTRODUCTION

1.1 General Background

A business is an organization designed to make profits and profits are the primary measure of its success, profits are the acid test of the individual firm's performance. Profit is the amount of revenue earned above he expenses incurred to operate the business and it is primary objectives of business.

Profit in the accounting sense tends to become a long term objective which measures not only the success of a product but also of the development of market for it. If a firm can not make profit, it can not ensure and retain other resources, such as manpower, materials, and machines etc. in other words, the more profitable enterprises are more attractive to the holders of the available capital. Since, these enterprises an attract capital they have the money needed to buy the other resources are scare; they are allocated to the profit makers in roughly descending order of their profit potential.

A budget is the formal expression of plans, goals, and objectives of management that covers all aspects of operations for a designated time period. The budget is a tool providing targets and direction. Budgets provide control over the immediate environment, help to master the financial aspects of the job and department, and solve problems before they occur. Budgets focus on the importance of evaluating alternative actions before decisions are actually implemented. "The new development and use of budgets at various managerial levels within a business are discussed. The course is intended for business professionals engaged in budgeting, financial planning, profit planning, and control". (www.google.com/budget: 8th Jan, 2009)

The budget is the primary operating planning document. Committed performance budgets are called profit-plan. It is a part of a broader financial planning and control process. Budgeting includes a plan that details revenues and how capital goods and so on, as well as periodic reviews of actual versus budgeted amounts. Budgeting is thus a management tool used both for planning and control.

Budgeting is a comprehensive and coordinate plan, which deals with overall planning picture of an enterprise and co-ordinates the various substantive plans, short-terms financial plan and strategic long term financial plan and strategic long-range plans. It is expressed in financial term for the firms operations and resources for a specified period of future plan. Moreover budgeting has also different purposes. To achieve these purposes, one must follow the systematic approach.

Thus, Budgeting and control is an important approach, which has been developed for facilitating effective performance of management system mainly in profit-oriented enterprise. Budgeting and control process will facilitate the manager to accomplish management efforts in a systematic way.

Ropeway/cable car is one of the means of transport, which carry goods and people from one place to another by the help of rope with the power of electric or human beings. It is most important for mountainous countries where topography and land surface are very roughed, irregular and physical barriers.

It is proved that cable car/ropeway is the best means of transportation in hilly and mountain region. In such regions construction of roads and railways are difficult and not possible in some extent. Cost of construction of road and railways may not viable economically and socially in these areas. So cable car can replace them as cheaper, faster and viable means of transportation. "The first cable-operated railway was the London and Blackwall Railway, which opened in east London, England, in 1840. However the rope available at the time proved too susceptible to wear and the system was abandoned in favor of steam locomotives after eight years. Though there may have been earlier attempts to pull cars by endless ropes, the first cable car installation in operation was the West Side and Yonkers Patent Railway in New York, which ran from 1 July 1868 to 1870." (www.sfcablecar.com/history.html: 8^{th} Jan, 2009). The cable technology used in this elevated railway involved collar-equipped cables and claw-equipped cars, and proved cumbersome. The line was closed and rebuilt, and reopened with steam locomotives. They have taken cable car not only means of transportation but also utilization of modern technique and opportunities for economic development like through tourism industry, modernization of agriculture and transformation from agriculture to industry.

In Nepal, the first mono-cable ropeway was constructed to the Matatirtha-Dhursing under British Aid in 1926. It was constructed only 14 miles, but later it was extended to taku making it 17.7 miles. The Ropeway had a capacity of 8 tons per hour and worked only 8 hours a day. Later it was closed by the cause of repairs and replacement of spare parts. Cable car may be the means of rural urban linkage and means of communication between two villages.

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Manakamna Cable Car was started in 1998 which links Kurintar of Chitwan with Manakamana Temple of Gurkha. This cable car was operated by Chitwan Co. E. Pvt. Ltd. as a private company. Now it is one of the pioneer companshy operated with high volume of profit.

Manakamana Darshan Pvt. Ltd.: In Brief

The Cable car is situated in Kurintar which is near about 105 KM west of Kathmandu on the highway to Pokhara will take you to the temple of wish fulfilling goddess Manakamana. At the cable car station Kurintar we can find some good resorts and restaurants, dedicated to serving the tourists.

The Manakamana Temple lies 12 km south of historic town Gurkha and located on a prominent ridge (1302m) overlooking the river valleys of Trisuli (south) and Marshyandi (west). The unique location of the place is dramatized during winter when the ridge appears as island above the sea of morning mist. People believe the Goddess here, fulfils the wishes of her devotees, thus she is regarded as Manakmana, the wish fulfilling deity.

Before the cable car was established in Kurnitar, millions of pilgrims used to do the long arduous trek up to the hilltop and most of them still do. From the cable car station in Kurintar, you will reach to Manankamana within 10 minutes or less. The ride covers a distance of 2.8 km. With 31 passenger and 3 cargo cars, each with a seating capacity of 6, the system has the overall capacity of handling 600 persons per hour. The adventure is to getting your wishes fulfilled. Some of travel agents are also offering package programme for the Cable car and Manakamana pilgrimage similar as below. (www.chitwoncoe.com: 12th Jan, 2009)

- Drive Kathmandu to Kurintar (104 Kms) by car / tourist bus.
- Kurintar to Manakamana Temple (2.8 Km) by cable car (10 minutes duration)
- Visit Manakamana temple & return back to Kurintar by cable-car (10 minutes)
- Drive back to Kathmandu by Car/ tourist bus.

MDPL had been operated with the Authorized Capital NRs.500 million, in which Issued Capital NRs.250 million and Paid Capital NRs.180 million. The company had been operated with the initial cost of Rs.40 cores. Out of the total cost, 42% had been collected from equity participation and 58% had been raised through different banks and financial institutions. Nepal Bank Limited had been the leading lender bank for MDPL. (Source: Report of MDPL & Questionnaires)

1.2 Statement of the Problem

Success of any business enterprises is measured by the capacity to generate surplus. The financial performance of Nepalese enterprises is quite dismal and has not been able to contribute toward to generation of surplus.

Information about the performance of an enterprise, in particular about its profitability, is required in order to assess potential changes in the economic resources that it is likely to control in the future. Information about variability of performance is important in this respect. Information about performance is useful in predicting the capacity of the enterprise to generate cash flows from its existing resources base. It is also useful in forming judgments about the effectiveness with which enterprise might employ additional resources.

Information concerning changes in the financial position of an enterprise is useful in order to assess its investing, financing and operating activities during the reporting period. This information is useful in providing the user with a basis to assess the ability of the enterprise to utilize those cash flows. In constructing a statement changes in financial position, funds can be defined in various ways, such as all financial resources, working capital, and liquid assets of cash.

Information about financial position is provided in a balance sheet. Information about performance is provided in an income statement. Information about changes in financial position is provided in the financial statements.

The component parts of the financial statements interrelate because they reflect different aspects of the same transactions or other events. Although each statement provides information that is different from the others, none is likely to serve only a single purpose or provide all the information necessary for particular needs of users. For example, an income statement provides an incomplete picture of performance unless it is used in conjunction with the balance sheet and the statement of changes in financial position.

Manakamana Darshan Pvt. Ltd. is the selected enterprise for the present study. This enterprise is private undertaking dealing in overall service activities. Although, Manakamana Darshan Pvt. Ltd. has making profit, it is a quite question for the profitability of the firm. Since, Manakamana Darshan Pvt. Ltd. is the largest service firm dealing in various cable car services has got some sort of monopoly in market; the profit volume may be taken as a very low figure. Of course, Manakamana Darshan Pvt. Ltd. has got sort of monopoly in market, but it is making low level of profit.

The main problem of Nepalese enterprises are ignorance of objectives of enterprise even among the managers, defective objectives setting procedure, obscurity of goals and objectives, limited participation of lower level management in developing goals and objectives of the enterprises, a big communication gap between top and lower level employees, lower number of competent planners with limited skills, little analysis of internal and external environment of the enterprises, excessive interference of the board in major decisions, unsound financial position of the enterprises, frequent change of the chief executives, limited use of the modern technology etc. (www.nepalnews.com: 8th Dec.2008)

The successful operation of an organization whatever depends upon the planning system that it has adopted. Budget is one of the most important managerial devices that plays key role for the effective formulation and implementation of strategic as well as tactical plans of an organization. Budgeting system requires the effective co-ordination between various functional budgets of an organization as sales plan, inventory plan, expense budget, cash budget and the capital expenditure budget.

This research attempts to show the relationship between these various functional budgets, their achievement and their effective application within the conceptual framework of Budgeting control for solving the problems that have occurred in Manakamana Darshan Pvt. Ltd. The present study tried to analyze and examine the practice of budgeting of this company. Without proper planning for profit, it will not just happen. So every commercial enterprise should systematically plan for profits in a manner that does not result in a loss.

The study is conducted with a view to answer the following questions

- To what extent is the process of budgeting followed in Manakamana Darshan Pvt. Ltd.?
- What are the main problems of Manakamana Darshan Pvt. Ltd. In developing and implementing Budgets?

- What steps should be taken to improve the budgeting system in the Manakamana Darshan Pvt. Ltd., so that overall profitability of Manakamana Darshan Pvt. Ltd. Can increase?

1.3 Focus of the Study

This study is mainly focused in evaluating the profitability of Manakamana Darshan Pvt. Ltd. For this, marketing plan and achievement; cost control like purchase, office and administration cost, marketing cost etc. are properly evaluated and interpreted. This study is focused in evaluating the use of different types of functional budgets and corporate planning system for the effective implementation of Budgeting and control in Manakamana Darshan Pvt. Ltd.

Generally two types of budgeting practices are stressed in an organization; strategic long range budget and tactical short range budget. Long range budget covers the horizon of two years or more and short range budgets are made generally for coming year. Both of these plans are equally important for the successful operation of the organization but this study is designed so as to give more consideration in short range planning.

1.4 Objectives of the Study

The main objective of this research is to study and evaluate the budgeting and profitability of Manakamana Darshan Pvt. Ltd. To achieve the basic objective, the following supportive objectives were formulated.

1. To examine the budgetary performance of MDPL.
2. To analyze the profitability and financial position of MDPL.
3. To evaluate the impact and assess Inventory of MDPL.
4. To study and evaluate the deviation between overall targets and actual achievements.
5. To study and analyze the social cost and benefits of MDPL.

1.5 Scope of the Study

Budgeting has become the vital and important tool in the field of management decision making in all the organizations. This study mainly deals with all aspects of budgeting. The present study deserves some significance of its own kind in this field. This study is concise, practical, usable and valuable to the major parties interested in budgeting and Manakamana Darshan Pvt. Ltd.

1.6 Limitations of Study

This study is carried down within the matter of Manakamana Darshan Pvt. Ltd. Data are collected only from the same company. The study is fundamentally based on the data published in company's statement. Regarding this scenario the study has following limitations:

1) The study is based on the data of only 5 years (starting from FY 2060/2061 to 2064/65)
2) This study is only a case study and thus the result cannot thoroughly be applied over all types of service organizations.
3) The accuracy of the study depends on the accuracy of information provided by the company.

1.7 Organization of Study

This study is organized in five chapters which are divided as introduction, literatures review, research methodology, data presentation and analysis and summary, conclusion, issues and recommendations. The schemes in the above divisions are as follows-

Introduction is the **First Chapter**, which includes focuses on general introduction of budgeting performance and its impact on profit, general back ground of the study, Statements of the problems, objectives of the study, need/scope of the study, and limitation of the study and organization of the study.

The **Second Chapter** deals with conceptual framework about budgeting in detail. It is concerned with review of previous research works done and reviews of related past studies.

The **Third Chapter** deals with research Methods that deals about the research design, data collection procedures and data analysis tools.

The **Fourth Chapter** is the chapter of Presentation, analysis and interpretation of data. In this chapter the data collected from various sources has been presented and analyzed using various financial and statistical tools.

The **Fifth Chapter** is Summary, conclusion and recommendation. This chapter is concerned with the output of the study in the form of summary, conclusion and recommendation.

Chapter II

LITERATURE REVIEW

2.1 Definition

2.1.1 Defining Profit

A business firm is an organization designed to make profits are the primary measure of its success, profits are the acid test of the individual firm's performance. Profit is the amount of revenue earned above the expenses incurred to operate business and it is the primary objectives of business. There are several different interpretations of the term profit. Thus profit is a controversial term. It is defined by different people taking in to consideration different aspects. According to Lynch and Williamson- "Usually profit doesn't just happen, profits are managed. Before we can make an intelligent approach to the managerial concept of profit, there are, after all several different interpretations of the term "profit". An economist will say that profit is a measure of how efficiently labour has produced and that is provides a base for negotiating a wage increase. An internal revenue agent might regard it as the base for determining income taxes. The accountant will define it simply as the excess of a firm's revenue over the expense of producing revenue in a given fiscal period" (Lynch and Williamson, 1989:99,100)

2.1.2 Defining Cost

In the words of Gordon Shilling, "Cost represents the resources that have been or must be scarified to attain particular objectives. Cost accounting has four way activities. These activities are as cost finding, cost analysis, cost reporting and cost recording etc". (Shilling, 2001:11)

1. Cost finding: It is concerned with the measurement of the estimation of costs of individual products, departments or other segments of the firms operations.
2. Cost analysis: It deals with the estimation of relationship between costs and various determinants of cost.

3. Cost recording: It entails the classification and distribution of cost among the various ledger accounts.
4. Cost reporting: It denotes the communication of cost data to various interested parties.

In the last, cost refers to the amount of expenditure incurred on or attributable to a given cost unit.

Cost can be classified as follows: (www.wekipidia.com/cost.html: 14th march, 2009)

A. From the perspective of income measurement:-Costs are classified into different components on the basis of income measurement are as follows:

Product cost vs. period cost: Product costs are those costs which can be identified with goods manufactured or purchased for resale. They vary with production such as raw materials, cost, direct labour cost etc. Period costs are the expenses which are recovered from the revenue of the periods. These costs are not necessary for production.

1. Absorbed cost vs. unabsorbed cost: An absorbed cost deals with the positive difference between fixed costs changed to production and actual fixed cost. Unabsorbed costs are those costs which have been changed into production costs which remain in fixed to production.
2. Expired cost vs. unexpired cost: An expired cost is that cost which cannot contribute to the production of future revenues. An unexpired cost represents those cost which has the capacity of contributing to the production of revenue in the future
3. Joint product costs vs. separated cost: Joint product costs are those cost of a single process of a series that simultaneously produce two or more products of significant sales value. A subsequent cost refers to those costs that can be attributed exclusively and wholly to particular product process, division or department.

B: From the perspective of components:

Fixed costs are those costs where individuals cannot be added or dropped because of organizational structure, style of operations and others etc. It can be classified into two types.

1. Capacity fixed cost: Fixed costs are caused by the purchase of capacity producing assets refers committed costs. These costs are primarily associated with maintaining the

company's physical and legal existence. Discretionary costs are known as managed costs. Managed costs are management and staff salaries that are concerned with current operations.

2. Variable cost: Variable costs are those costs that tend to difference in total in direct proportion or in a one-to-one relationship to changes in production activity, sales activity and others.
3. Semi-variable cost: Semi variable costs are those costs which has born the features of fixed and variable components. It also denotes to combined cost or mixed cost.

C. From the perspective of control:-

1. Responsibility costs: Responsibility costs are those costs which have been incurred due to responsible person of the responsibility centre. It helps to localize the responsible person for the cause when actual cost exceeds the budget costs.
2. Controllable costs vs. Uncontrollable costs: If an amount of cost incurred due to influenced by the actions of the manager in a responsibility center refers controllable costs and otherwise it is uncontrollable.
3. Direct vs. Indirect costs: Direct cost refers to those costs which have to be traced into the particular department or product. Indirect cost is the common cost. These costs are traced into the particular department or units. It should be allocated to units, departments and product as per the activity.

D. From the perspective of decision making: -

1. Relevant costs vs. irrelevant cost: Relevant costs are those costs which are influenced by a decision. In some sense it is incremental cost for decision-making. Cost which is not affected by a decision denotes irrelevant cost.
2. Incremental costs vs. Differential costs: Differential costs refer to those costs where there is difference in cost between any two available acceptable alternatives.
3. Out of pocket costs vs. Sunk costs: A cost which requires current or future cash expenditure as a result of decision refers to out of pocket costs. Sunk costs are those costs which have already been paid out before the specific project under review was ever

considered.

4. Opportunity cost vs. imputed cost: - Opportunity cost is not usually entered on the books of organization but imputed cost is a cost that must be expertly considered in every decision that a manager makes ha some opportunity cost attached to it.

E. From the perspective of cost reduction:

1. Costs that add value of non added costs: - A value added activity is an activity that consumers perceive as adding usefulness to the product or service they purchase.

2. Cost that does not add value or non value added costs: **-** Non added value activities are operations that are either unnecessary dispensable or necessary but in efficient and immovable. Non – value added costs which results from such activities are the cost of activities that can be eliminated without deterioration of product quality, performance or perceived value. The concept of non value added activity refers to non value added cost .A product or process design that eliminates the need for non value added activities will reduce costs and cycle time and often will increase product quality.

2.1.3 Defining Planning

Planning involves anticipation of future courses of actions. It is a systematic approach for better management of choice. On the other hand, it involves the determination of what should be come how they may be reached and what individuals or units are to assure responsibility and be held accountable. They bridge the gap between where they are and where they want to go. It could be taken as the tools of achieving necessary to translate planning to be correct current deficiencies.

Planning involves the determination of what should be done, how the goal may be reached and what individuals or units are to assume responsibility and be held accountable. *(Grace 1964:102)*

Planning is the process of developing enterprises objectives and selecting future courses of action. To accomplish future courses of action, it involves-

- establishing enterprises objectives
- developing premises about the environment in which they are to be accomplished selecting a courses of action
- initiating activities necessary to translate plans into actions
- Current replanting to correct current deficiencies.

  Controlling is the process of assuring efficient performance to achieve the enterprise objectives. It involves-
- establishing goals and objectives
- comparing measured performances against the established goals and standards
- Reinforcing success and correcting. (Bedin, 1985: 7.8)

Planning is the selecting and relating of facts in the visualization and formation of proposed activities believed necessary to achieve desired results. (Terry, 1968:231)

The steps required in planning are as follows: (Bedin, 1985: 11-13)

a. <u>Identification of needs for action:</u> It is the first steps in planning which is the need identification for action. Manager must identify the problem or opportunities that call for planning and actions.

b. <u>Setting the Objectives:</u> Manager has to lay down in the nearest possible terms his objectives keeping in view his strength and limitations.

c. <u>Building the premises for planning:</u> It involves the collection and dissemination of the facts and figures necessary for planning the future course of an a enterprises or a part of it.

d. .<u>Identifying alternatives course of action:</u> The strength and weakness aspects of the course of action also need to be examined by the manager.

e. <u>Evaluation and selection of the alternative course of action</u>**:** The manager has to compare the strong and the limitations aspects of the alternatives identified at the last state are the light of premises and goals.

a. Management planning

It is a continuous process the function should very in scope and industry with the level of management. Top management has broader planning respectability then low level management should have definite planning responsibilities. It is a process that includes the following five phases.(Welsch, 2000:5)

- Establishing enterprises objectives and goals
- Developing premises about the environment of entity
- Making decisions about course of action
- Imitating action to activate the plan
- Evaluating performance feedback for replanning.

Planning is the first function of management. It is a process establishing goals, objectives, developing premises about the environment of the entity, making decisions about courses of action, initiating actions to activate the plans and evaluating performance feedback for replanning. It consists of both long-term and short-range planning. It is the basic foundation and backbone of other elements. In planning process, we determine what is going to do, how are going to do it, and who is going to do it. It operates as the brain center of an organization and like the brain it both reasons and communicates. It requires higher level decisions. Periodic decisions must be made about the entity's future courses of action, and taking corrective actions, if it is required. (Welsch, 2000:8)

b. Corporate planning

Corporate planning is reasoning about how a business will get where it wants to go. The essence of corporate planning is to see opportunities and threats or risks in the future and exploit the opportunities combat the threats or take the risks as the case may be. It was introduced firstly in US in late 1950s. It is being used one from another in several companies at now. Corporate planning may encompasses both long range and short range plans. It is action-oriented and it is not concerned with mere plans but it is also related with long-term goals. It ensures the long-term goals. Corporate planning seems to be a methodology for actions. (Welsch, 2000:9)

Components of Corporate Planning:

Corporate planning is a process. It is an activity carried but in a sequence of steps taken in a certain order. According to John Argenti-”The corporate planner must take hundreds of steps to complete his work but it is possible to describe the process meaningfully. The components of corporate planning are

- determine the company's objectives
- decides on a targets
- prepares a forecasts
- declare the probable errors
- decide constraints, means
- draw up the plans

(Argenti, 1994:50)

J.C. Higgins describes it a tens-step process. The components of corporate planning are:

- setting of corporate or strategic objectives
- establishment of the corporate performance required, from 1
- internal appraisal viz. assessment of the organization current state in resources, performance terms
- external appraisal, surveying and analyzing the organization environment
- forecasting future performance based in the first phase on the results of 3 and 4
- analysis of the gap between the results of 2 & 5
- identification, evaluation of strategies to reduce the performance gap: in order to meet strategic objectives
- choice of strategies
- preparation of final corporate plan
- evaluation of performance against plan **(**Higgins, 1996:128)

c. Long range planning

The long-range planning implies 5 to 10 years varying with the enterprises. Sometimes it is extended to 10 years. It is closely concerned with the concept of the corporation as long giving institution.(Eding, 1964:6.68)

The objectives of long range planning are to provide the clear picture of whether the enterprises is handed, to keep enterprises strong, to focus on long-term opportunities, to evaluate management personnel, to expedite new finding and to bring attention to new techniques. (Terry, 1968:235)

The long range planning is generally prepared for two years or more varying with the objectives and sometimes extended to 10 years. It is more than organizational analysis of information. It is decision-making process. (Drucker, 1959: 12-13)

There are determination of goals, objectives and strategies in long range planning.

d. Medium Term Planning:

It is normally prepared for 2 to 3 years time horizon. It is more detailed than long range planning and less than short range planning. It is mainly used to determine the allocation of resources among competitive activities. The significance of medium term planning is too made worthwhile to spend more effort and employ more elaborate techniques to obtain accurate prediction in the case for shorter time horizon.

e. Short range planning

It is synonymous with the classical budgetary period of one year. It is a limited time dimension. It usually covers via one year. It is used by the management. Implementation its aim is leading out a plethora of possibility which are for the more part long are premises and short on feasible tangible results. Implementations its aim is leading out a plethora of possibility which are for the most port long are promises and short on feasible tangible results. (Dimitris, 1999:52)

f. Tactical Planning:

Tactical planning can be considered as a bridge for the fulfillment of strategic planning. The planning process comprises both long-term and short-term plans. It is the most crucial component of the whole system. It is through the planning process that we determine what we are going to do, how we are going to do it, and who is going to do it. It operates as the brain center of the organization. (Dimitris, 1999:52)

2.2 Fundamental Concepts of Budgeting

The fundamental concepts of Budgeting include the underlying activities or tasks that must generally be carried out to attain maximum usefulness from budgeting. These fundamentals have never been fully codified. As a basic for discussion, an outline of the fundamental concepts usually identified with budgeting is given below. (Mohammad, 1990:71)

- A management process that includes planning, staffing, leading and controlling.
- A managerial commitment to effective management participation by all levels in the entity.
- An organization structure that clearly specifies assignments of management authority and responsibility at all organization levels.
- A management planning process
- A management control process.
- A continuous and consistent coordination of all the management functions.
- Continuous feed forward, feedback, follow up and re-planning through defined communication channels (both downward and upward)
- A strategic budgeting.
- A tactical budgeting.
- A responsibility accounting system.
- A continuous use of the expectation principles.
- A behavioral management program.

The fundamental concern with effective implementation of the management process, responsibility, considerable management, organization activities and approaches for proficient and sophisticated application of budgeting and the major important fundamentals are:

2.2.1 Management Involvement and Commitment

Managerial involvement entails managerial support, confidence, and participation and performance orientation. In order to engage competently in comprehensive budgeting, all level of management, must-

a. Understand the nature and characteristics of budgeting.

b. Be convinced that this particular approach to managing is preferable for their situation.
c. Be willing to devote the effort required to market and it operative.
d. Support the program in all its ramifications.
e. View the results of the planning process as performance commitments.

A Comprehensive profit-planning program will be successful, it must have the full support of each members of management, starting with the president, the impetus and direction must come from the top.

2.2.2 Organizational Adaptation

A budgeting must rest upon sound originations structure for the assignment of authority, must establish a framework in which enterprise objectives may be attained in a coordinated and effective way on a continuing basis. The scope and interrelationship of responsibilities of each individual manager are specified (Mohammad, 1990:33). It must have clearly specifies assignments of management authority and responsibility all organizational levels.

Thus, the Company as a whole is a responsibility center, as is each division, department and sales district. Responsibility centers are further classified in respect to the extent of responsibility as follows:

a. Cost center: A responsibility center for which the manager is responsible for the controllable costs incurred but is not responsible, in a financial sense, for profit or investment in the center. The lower level and smaller responsibility centers tend to be cost centers.
b . Revenue center: A responsibility center for which manager is responsible for the revenue. Sales districts are often designated as revenue centers.
c . Profit center: A responsibility center that which the manager is responsible for the revenues, costs and profit of the centers. Planning and control focuses on the center's profit.
d . Investment center: A responsibility center that goes one furthers a profit center. In an investment center, the manager is responsible for revenue, costs. Planning and control focuses on the return on investment earned by the center (Welsh, 1986:46-47)

2.2.3 Responsibility Accounting

Budgeting requires a responsibility accounting systems that is one tailored to organizational responsibilities. With in this primary accounting structure, secondary classifications of costs, revenue .an other relevant financial data may be used to meet the need of the enterprise. A responsibility accounting system can be designed and implemented regardless of the other features of the accounting system (Welsh 1986:41)

2.2.4 Full Communication

Communication is a necessary activity in all facts of management. Communication can be broadly defined as an interchange of thought or information to bring about a mutual understanding between two or parties. It may be accomplished by a combination of words, symbols, messages, and subtleties of understanding that come from working together, day in and day out by two or more individuals. A communications involve a sender, a message and a receiver.

Communication may be thought of as the link that brings together the human elements in an enterprise. Managerial decisions and leadership are actuated by communications the means by while behavior's is affected, modified, and energized. too often communication is taken for granted ; consequently , information flows are inadequate , there most be three primary flows of information in an entity , downward , upward , and laterally in the organization (Weish, 1986:57)

2.2.5 Realistic Expectations

In Budgeting management must be realistic and avoid being either unduly conservative or irrationally. the care with which budget goals are set for such items as sales , production levels , costs, capital expenditures ,cash flow, and productivity determines the usefulness of a budgeting program for budgeting purpose .enterprise objectives and specific budget goals should represent realistic expectations. To be realistic expectations most be related (i) to their specific time dimension and (ii) to an assumed (projected) external and internal environment that will prevail during that time span. Within these two constraints, realistic expectations should assume a high level of overall efficiency; however, the objectives and goals should be attainable (Welsh, 1986:53).

2.2.6 Time Dimension

Effective implementation of the Budgeting concept requires that the management of enterprise establish the definite time dimensions for certain types of decision. In viewing time dimension in managerial planning, a clear cut distinction should be made between historical consideration and future considerations (Welsh, 1986:41).

Another time dimension relates to project planning. A continuing necessity exists for management to plan specific and identifiable projects (programs) each of which as a unique time spans. The focus in Budgeting is one each separate project, which may represent either an operational or non-operational; commitment period of planning is the environment necessity for management to plan evaluate operations which in relatively short and consistent interim periods of time. The concept of comprehensive Budgeting encompasses systematic and integrated approach to project planning to tactical planning to strategic planning (Welsh, 1986:37-39)

2.2.7 Flexible Application

The fundamental stresses that a Budgeting program must not dominate the business and that flexibility in applying the plans must be a forthright management override' policy so that straitjackets' are not imposed and all favorable opportunities are seized even though ' they are not covered by the budget.'

The Budgeting program administrated in an enlightened way permits greater freedom at all management levels. This effect is possible because all levels of management are brought into the decision making priceless when plans are developed (Welsh, 1986:51)

2.3 Basic Objectives of Budgeting and Control

The basic objectives of Budgeting are:

- It is a plan of action and serves on a declaration of politics.

- To coordinate the various division of a business, namely production, marketing, financial and administrative divisions, by conslutation among the divisional heads and mutual agreement on company policies.
- To decentralize responsibility on to each manager involved.
- To plan and control income and expenditure so that maximum profitability is achieved.
- To operate most efficiency the divisions, departments and cost centers of a plant.
- To smooth out seasonal variation in poroduction by developing new 'fill-in' products and there by accomplishing one phase of economic planning.
- To avoid on controlling cash.
- To obtain a more economical use of capital.
- Only the exceptions are reported to the management so that corrective action can be taken in order to achieve the objectives laid down by the management (Vinayakam, 1992:17)

2.4 Importance of Budgeting

When asked the objectives of the business enterprise, many business reply, "To realize profit". However in the last few years some business has been tended more frequently to soft pedal profit maximization to emphasis the modern corporation's going test of social obligation. Yet, the phase social responsibilities really defined, remains a hazy concept.

Management must execute a series of thinking process and action which will guide it to produce specific products or render service in a definite manner or method; in a volume, at a time, at a cost and at a price that will, in the long run, assure a profit and also which the corporation or employees, gain the goodwill or customers and meet social responsibilities.

Importance of budgeting can be explained as follows:

- It forces early consideration of basic policies
- It requires adequate and sound organization structure that is; there must be a definite assignment of responsibility for each function of the enterprise.

- It compels all members of management, from the top down, to participate in the establishment of goals and plans.
- It compels departmental managers to make plans in harmony with the plans of other departments and of the entire enterprise.
- It requires adequate and appropriate historical accounting data.
- It compels management to plan for the most economical use of labor, material and capital.
- It reduces cost by increasing the span of control because fewer supervisors are needed.
- It frees executives from many day to day internal problems through predetermined policies and clear-cut authority relationships. It there by provides more executive time for planning and creative thinking.
- It pinpoints efficiency and inefficiency.
- It forces a periodic self analysis of the company.
- It forces a periodic self analysis of the company.
- It checks progress or lack of progress towards the objectives of the enterprise.
- It rewards high performance and seeks to correct unfavorable performance.
- It forces management to consider expected future trends and conditions.

2.3 Evolution of Cable Car & History of Manakamana Cable Car

The driving force behind the San Francisco cable car system came from a man who witnessed a horrible accident on a typically damp summer day in 1869. Andrew Smith Hallidie saw the toll slippery grades could extract when a horse- drawn streetcar slid backwards under its heavy load. The steep slope with wet cobblestones and a heavily weighted vehicle combined to drag five horses to their deaths. Although such a sight would stun anyone, Hallidie and his partners had the know-how to do something about the problem.

Hallidie had been born in England and moved to the U.S. in 1852. His father filed the first patent in Great Britain for the manufacture of wire- rope. As a young man, Hallidie found uses for this technology in California's Gold Country. He used the wire-rope when designing and building a suspension bridge across Sacramento's American River. He also found another use for the wire-rope when pulling heavy ore cars out of the underground mines on tracks. The technology was in place for pulling cable cars.

The next step bringing Hallidie closer to his fate was moving his wire- rope manufacturing to San Francisco. All that was now needed was seeing the accident for the idea to become full blown-a cable car railway system to deal with San Francisco's fearsome hills. (www.wekipidia.com/cablecar.htm: 12th Feb.2009)

Cable Car of Gibraltar - Bay to Algeciras, Africa

(Source: www.google.com: 12th Feb.2009)

So far as the Manakamana Cable Car is concerned it was inaugurated by His Royal Highness Crown Prince Dipendera Bir Bikram Shah Dev on November 24, 1998. The Bottom Station (258 MT) at Kurintar and the Top Station (1302 MT) at Manakamana houses the most modern cable car system imported from Austria. Facilities of international standards with high priority given to safety and customer service, Manakamana Cable Car has had an overwhelming response from all the visitors.

Imported from Austria, the cable car system is 100 % safe with back up systems such as automatically operated generator that start within 3 to 6 seconds of power failure, hydraulic emergency drive and staff qualified & trained for emergency rescue with modern rescue devices provided by the manufacturer of the cable car system. With proven safety records, excellent service, stations of international standards along with the religious importance of the region and breath taking views of the Himalayas from the vicinity, the Manakamana region and Manakamana cable car has become very popular among all.

2.4 Brief Review of Previous Research Works

The review of literature is to examine what research studies have been conducted in one's chosen field of study, and what remains to be done. It provides the foundation for developing a comprehensive theoretical framework from which hypothesis can be developed for testing.
During any research work, the previous studies cannot be ignored because they provide foundation to the present study. There has to be continuity in the field of research. The main purpose of literature is to find out what research studies have been done in the field of study and what remains to be done. Thus, different books, journals, articles and dissertations submitted by post-graduate level students have been reviewed.
The literature survey also minimizes the risk of pursuing the dead- ends in research. It enables to know the following questions:

a. What research has been done in these areas?
b. What others have been done in this field?
c. What theories have been advanced?
d. The approach taken by other researchers
e. Areas of agreement or disagreement
f. Whether there are gaps that can fill through the proposed research?

The other researchers are also written down their reports which was concerned with Nepal Telecommunication Corporation sectors are as follows

Mr. Dhakal, Nandha Lal, (1999) “Profit Planning of NTC” unpublished master degree dissertation submitted to Central Department of Management, Tribhuvan University, Kathmandu.

Objectives:

a. To observe NTC's profit planning on the basis of overall managerial budgeting

b. To analyze the variance between budgeted and actual of the enterprises
c. To analyze the sales revenue trend of NTC in ISD sector

Major Findings:

a. Sales of NTC are increasing every year but rate of the increase is not fixed
b. The enterprises practices short range sales budget but long-range sales budget is absence in budget
c. It is not able to distribute sale telephone lines according to huge number of demands.
d. Main source of revenue in this corporation is ISD sectors. It covers the more than 6o% of the total revenue
e. Regression equation shows that there is positive relationship between actual and budgeted production
f. Overhead expenses are not classified systematically.
g. It creates problem to analyze its expenses properly.
h. It is not satisfactory in monopoly context.
i. It seems to be unable to attain its goals and objectives.

Recommendations:

a. Long-term objectives should be clearly formulated.
b. It should define and adopt SWOT analysis.
c. It should analyze internal and external environment in depth.
d. It must structure its capital structure.
e. It should emphasize in internal financing to minimize burden of high interest and long-term loans.
f. NTC can issue shares and refund the bonds.
g. In planning process, all levels of management should be involved.
h. NTC must follow the immediate actions to control staff cost and administrative cost.
i. Overstaffing should be totally discouraged in this corporation.
j. NTC should develop its overhead budget in a well-classified and systematic way.
k. NTC should be timely evaluation of relevant variables. Such as managerial involvement, organizational adaptation, responsibility accounting, full communication, realistic

expectations, time-dimensions, flexible applications, behavioral and follow-up procedures. All these factors should be made result-oriented, effective and productive.

l. Management by objectives (MBO) techniques should be followed. This technique should be adopted for maintaining the coordination, cooperation, and self-motivation between the employees and departments.

Mr. Shah, Binod Kumar, (2000) "Profit Planning in public Utility Enterprises" unpublished Master degree dissertation submitted to Central Department of Management, Tribhuvan University, Kathmandu.

Objectives

- To examine the practice and effectiveness of profit planning in NTC
- To analyze the various functional budgets
- To evaluate the variance between budgeted and actual of the enterprises
- To assess the financial analysis of NTC

Major Findings:

- Budgets are prepared just to fulfill the formality. For profit planning process, there are not used.
- To maintain the proper coordination, it is unable between various departments.
- There is an absence of skilled manpower, planners and experts.
- Budgets are prepared on traditional ad hoc-basis.
- The depth-analysis of SWOT is failure. There is an absence of the competitors.
- It has become monopolistic concern. So, it is not alert towards its possible threats and opportunities.
- Actual sales line is always below than budgeted and actual sales revenue is higher than budgeted revenue.
- Fixed costs and non-manufacturing costs growing high. Planner or financial department is not thinking to reduce fixed cost or non-manufacturing costs.
- The balance sheet shows huge amount of cash and bank balances lying idle. It indicates some deficiency of the corporation to utilize its liquid assets.

- Current asset is high which not a good sign for operation
- Cost classification is not scientific and appropriate. Increasing cost is also remarkable for the enterprises. The corporation has not adopted the cost control actions.
- Cost Volume Profit (CVP) analysis is not practiced. It has a vital impact upon the profitability of the enterprises.
- All the employees are on time-basis: qualified personnel are frustrated in NTC.

Recommendations:

- NTC should make realistic data. It should maintain similarly in annual reports and budgets.
- Idle capacity is in increasing trends. It should be minimized. It should be distributed installed telephone lines as much as possible.
- Planning should be communicated from top-level to low-level management.
- Low-level management is also willing to participate in the planning-process.
- Some of the expenses are not budgeted these expenses are actually done.
- Budgeting system should be followed.
- There has no practice of CVP analysis. It creates problems in providing services.
- It should prepare the cost volume profit analysis.
- It should give emphasis on profit planning concepts to its employees.
- There should be controlled operating expenses and non-operating expenses to increase net profit.
- Government should provide more autonomy to the management of NTC.
- Employees must follow MBO technique through coordination, cooperation and self-motivation among departments and employees.

Shrestha, Bal Krishna, (2001) “A comparative financial performance analysis between NTC and NEA”unpublished master degree dissertation submitted to Central Department of Management, Tribhuvan University, Kathmandu.

Objectives

- To analyze and compare the financial performance of NTC and NEA by using profitability, liquidity, capital structure, turnover etc.

- To present the existing financial performance of NTC and NEA
- To identify the strengths and infirmities of both public enterprises

Conclusions

- There is no significant difference between NTC and NEA as a current ratio. However, NTC is found to be more consistent than NEA in maintaining the acid-test ratio. The acid-test ratio maintained by NTC and NEA is recognized as satisfactory over the study period.
- There is no significant difference between the two enterprises in terms of quick assets and current liabilities. Both enterprises are witnessed as inconsistent in terms of quick ratio.
- Both enterprises are public utility enterprises. They have made up the defensive internal ratio.
- However, NTC is noticed to be significantly better than NEA.
- NTC is significantly better than NEA in terms of net profit. It has reasonable rate of return on stockholder's investment. Even more, NTC is found to be more consistent than NEA.
- The major portion of total assets is invested in fixed. NTC has better utilized the fixed assets than NEA, but they are more or less equally inconsistent in terms of utilization of acid assets.
- NTC is found to be significantly better than NEA in utilizing total assets. Also, NTC is found to be more efficient than NEA.
- NTC, on an average has fairly combinations of debt in its financing structure. It is significantly better than NEA in terms of debt to equity ratio.
- The debt implication is in decreasing trend. It is consistent.
- Both public enterprises have the zeta value below the standard value. However, The acid value of NTC is 6.64 times greater than NEA. Hence, NEA is more possibilities to go into bankruptcy than NTC.

Mr. Lammichanne, Suraj Chandra (2001) has submitted a dissertation under the title of

“Budget as tool of profit planning of public enterprises" unpublished master degree Dissertation submitted to Central Department of Management, Tribhuvan University, Kathmandu.

Objectives:

- To examine the practice and effectiveness of profit planning in NTC
- To observe NTC's profit planning system on the basis of budgeting system
- To provide suggestions for improvement of efficient planning or budgeting of NTC in near future based on findings.

Major Findings:

- NTC' account receivable is in increasing trends in every year
- NTC has high amount of fixed cost and interest payable on long-term loans every year. It comprises the considerable portion of fixed cost.
- NTC is unable to maintain budget discipline particularly in overhead in terms of staff cost and administrative expenses
- There is lack of effective utilization of assets in comparison to generate adequate profit.
- Return on net capital employed is in increasing trend.
- NTC fails to analyze its strengths and weaknesses in depth due to the monopoly market.
- In planning department, there is an absence of skilled manpower.
- NTC has maintained sound liquidity to pay the current debt and maintained well financial health.
- NTC prepare programmed budget. However, it faces some problems in profit planning concepts due to the lack of adequate knowledge.

Recommendation:

NTC has a large amount of cash in idle position, which means, lack of action on this matter. Such amount invests on some marketable securities to maintain liquidity and profitability. NTC should restructure the present capital structure. It should emphasis on the internal financing to minimize the burden of high interest and bond-changes in long term loan. NTC should issue the share to the public. It should restructure the debts. NTC cannot pay high amount of interest. So, it should take soft loan with minimum rate of interest. Subsidy and accumulated loss should be set off by the way of reduction in equity capital. It should help to eliminate the financial losses and make financial position strong. Sales budget should be prepared in realistic basis. NTC prepare sales budget in ad hoc-basis at now. In actual, NTC has been failed to achieve budgeted figure. NPV and IRR methods should be used while making capital expenditure decision. The management should evaluate financial decision on periodic basis to see whether the decisions are profitable or not. It not, corrective measures should be taken to generate profit. NTC is a monopolistic organization. It is unable to provide the telephone lines to their demander as quick, so, it should expand its internal as well as existing idle capacity in proper way. The government and political parties should give autonomy for decision-making and implementing to the enterprises.

Chapter III

RESEARCH METHODOLOGY

This study has intense relation with the application of budgeting in a cable car concern, regarding the objectives to analyze, examine and interpret the application of budgeting in Manakamana Darshan Pvt. Ltd. It is therefore, requires an appropriate research methodology. This includes research design, period covered, data gathering procedure, and research variables and tools used.

3.1 Research Design

This study is an examination and evaluation of budgeting in Manakamana Darshan Pvt. Ltd. The research design of the study is descriptive as well as analytical to find out the performance and budgeting of Manakamana Darshan Pvt. Ltd. This study basically followed descriptive design and collected data that have been analyzed to reach into the conclusion. The Research is designed to provide analytical information about the budgeting performance of non-manufacturing companies through the information of Manakamana Darshan Pvt. Ltd. Both qualitative as well as quantitative data are collected from primary and secondary sources. Though information of secondary sources play the vital role for the study.

3.2 The Study Unit

MDPL is our study unit which is only one pioneering company in cable car business in Nepal.

3.3 Nature and Sources of Data

The study has used both primary and secondary data as well as qualitative and quantitative data to fulfill the research objective and to inform the research question. The research is descriptive type and analytical to some extent. The phenomenon is studied on the basis of primary as well as secondary data. Though secondary data play the vital role in the study. Quantitative data are tabulated so as to make them useful to achieve the stated objectives of the study. The tabulated data are presented in graphs and charts in order to make them easier to understand.

3.3.1 Primary Source

Primary data is collected through formal and informal interview and direct observation The researcher has visited the office of the Manakamana Darshan to get the information for the purpose.

3.3.2 Secondary Source

Secondary data was collected through annual reports of Manakamana Darshan Pvt. Ltd., literature review of different reports, journals, magazines, thesis, articles, books and authentic web sites. Several books, articles, report, journals, thesis etc have been reviewed and information as per the objectives of the study are fulfilled.

3.4 Data Collection Techniques

Required data were collected as primary and secondary. Schedule to the visitors have been made to collect primary data. Moreover, frequently observation was conducted for collecting primary data. Annual reports of the studied company, books related to profit, planning and control, budgeting and articles of the writers, plans and policies of the government, different authorities reports, journals, newspapers, published and unpublished books, articles, visit of authentic web sites of different authorities etc were used to secondary data collection.

In the process of primary data collection the researcher visited to the head office, cable car station, restaurant and the benefited village frequently and gathered required information. Further more, the researcher gathered information from the Pilgrimage.

3.5 Data Analysis Tools and Interpretation

After editing coding and decoding of collected data, they are presented in table, different charts and diagrams. The collected data are analyzed with the help of simple statistical tools such as averages, coefficient of variation, standard deviation, coefficient of correlation, regression, time series and trend analysis. The tools are used according to the need of information. Basically the following tools are used for the study.

1. Arithmetic Mean and Standard Deviation

Arithmetic mean of a given set of observation is their sum divided by the number of observation.

or,

$$\overline{X}\ \mathrm{X}\frac{X}{N}\ \textit{where}\ \overline{X}\ \textit{Denotes mean and}\quad X\ \mathrm{X}\textit{sum of observation}$$

The standard deviation is the measure that is most often used to describe variability in data distributions. It can be thought of as a rough measure of the average amount by which observations deviate on either side of the mean. Denoted by Greek letter σ (read as sigma), standard deviation is extremely useful for judging the representatives of the mean. Standard deviation is represented as:

$$s = \sqrt{\frac{\sum d^2}{n - 1}}$$

Where,

s = Standard deviation,

d^2 = Sum of the squares of the deviations measured from the arithmetic average,

and,

n = Numbers of items

2 Coefficient of Variation

The coefficient of variation is the ratio of standard deviation to the mean for a given sample used to measure spread. It can also be thought of as the measure of relative risk. The larger the coefficient of variation, the greater the risk relative to the average. Mathematically,

$$V = \frac{s}{\overline{X}},$$

Where

V = Coefficient of variation,

s = Standard deviation, and,

= Arithmetic average

3 Correlation Analysis

Correlation analysis is a statistical tool, which is used to describe the degree to which one variable is related to another. "The Correlation is a statistical tool which studies the relationship between two variables." Different methods and techniques are used in correlation analysis for measuring the extent of relationship between two variables. Karl Pearson's co-efficient of correlation is a commonly used to measure the linear association of two variables.

$$r_{xy} = \frac{n\sum xy - \sum x.\sum y}{\sqrt{n\sum x^2 - (\sum x)^2} . \sqrt{n\sum y^2 - (\sum y)^2}}$$

Where,

n = number of observation in series x and y,

x = Sum of observation in series x,

y = Sum of observation in series y,

x^2 = Sum of square observation in series x,

y^2 = Sum of square observation in series y,

xy = Sum of the product of observation in series x and y.

Here,

r always lies between -1 and +1

r = +1 implies that two variables are perfectly positively correlated.

r = -1 implies that two variables are perfectly negatively correlated.

r = 0 implies that there is no correlation. Or it does not necessarily mean that the variables are independent. They may however be related in some other form such as quadratic, logarithm of exponential.

3.6 Research Variables

In the research study, profit, sales, purchase, inventory, expenses are the major variables. Profit is calculated as gross profit and net profit. It is dependent with size of sales and cost.

So profit is dependent variable and sales and cost are independent variables in calculating profit. In sales, planned sales and actual sales is compared. So in comparison of these sales categories, actual sales seem to be independent variable where as planned sales is dependent variable and it depends up on actual sales of previous year. But in analyzing the total sales, actual sales is also depend upon the external and internal environment. So indirectly, actual sales are also dependent variable.

Likewise the sales, purchase and inventory are analyzed in the study. In course of the analysis, planned purchase and actual purchase is compared. In comparison of these categories, actual purchase seems to be independent variable where as planned purchase is dependent variable with actual purchase of previous year. But in analyzing the whole purchase, actual purchase is also dependent variable and it depends upon business activities, management strategy and size of customers. Inventory is dependent variable in the study. It depends upon the size of business activities and external and internal environment.

In expanse analysis, fixed expanse is independent variable where as semi variable is depends upon size of business activities and variable expanses depend upon size of business activities and number of customer both.

3.7 Research Gaps

There are many researches about Budgeting and Profitability of different companies like Nepal Telecom, Nepal Electricity Authority, Nepal Airlines etc. Anyway research about budgeting and profitability of Manakamana Darshan Pvt. Ltd. is not conducted yet. So this is the first research which covers the analysis of budgeting and profitability of such genuine monopolistic private company. Though one research was carried down at 2060 BS, which was limited only within the budgeting of this company.

Chapter IV

DATA PRESENTATION & ANALYSIS

This chapter attempts to present and analysis the information collected about marketing plan, purchase, sales, inventory and expenses.

4.1 Analysis of Marketing Plan

Marketing is the real field through which the company running its activities. The size of sales depends upon the different market policies of the organization. MDPL uses the different policies in the market as follows

4.1.1 Pricing Policy

MDPL has been enjoying the monopoly of the cable car service in the country by offering the service at reasonable price to the visitors. So that it has been able to gain around 6 lacks visitors annually. The price of tickets is different for the different categories of the people. The price charged by the company by including District Development Charge 2%, Tourism service charge 2% and value added tax 13%. The company also provides discount facilities. Students are provided 20% discount, elder citizen above 65 years of age are given 20% discount, 24% discount to disable, 30% discount to children above 3ft up to 4 ft height. The price for the foreigner is quite higher than price charged for the Neplease. The local villagers are offered one way ticket at an affordable price of Rs. 45 while two way tickets cost them Rs. 90 but out visitors have no option than to buy two way tickets.

Table No. 4.1: Cable Car Ticket Rate

Categories	Rate	
Normal	NRs.	278.00
Child	NRs	195.00
Student	NRs	221.00
Elderly	NRs	221.00
Foreigner	USD	10.00
Foreigner Child	USD	7.00

(Source :www.chitawoncoe.com/manakamana :14th April, 2009)

The above table showed that normal citizen is charged as Rs. 278 while child is charged as 195. The company 3 to 4 ft height of the children is categorized as child while charging the ticket fare. Students are charged as Rs. 221 which is 80% of the normal rate. As social welfare, MDPL has brought a discount of 20% to the elder person above the age of 65 years. They are discounted 20% of normal rate. The discounted rate is Rs. 221. Foreigner is charged in US dollar. They are charged as $10 while their children are charged as $7.

4.1.2 Distribution Strategy of MDPL

MDPL has been providing its service to the people through different distribution networks. The company sales tickets from the main station at Kurintar and its head office at Naxal, Kathmandu have been continuity providing tickets since its operation. The company has total of 53 tour operators in all 14 zones of Nepal make further assess of tickets.

4.1.3 Promotional Strategy

It has been providing regular attractive advertisement in leading newspaper, trade journals and various publications. Public can get more information about the company by using its websites www.chitawancoe.com/manakamana. Besides it has also promoting it self through television and radio transmission provides the restaurant facilities and also installed with attractive souvenir stalls for the convenience for the visitors. Coin operated games are also installed at the station complex. It used the duties of nature to attract the visitors through sceneries and gardens.

4.2 Analysis of Sales

The sales plan was analyzed by taking relevant figure of the period covering from F/Y 2060/61 to 2064/65. MDPL sales tickets, restaurant items and souvenir items. The sales price of different services varies in price, size and usage uses. MDPL sales planning focuses on sales volume. The following major factors that was likely to determine the demand of service selling by MDPL.

- Quality of service

- Price of service
- Supply system
- Advertising system
- Nature of the service

MDPL prepares annual target for sales in rupees. The details sales plan of F/Y 2060/61 to 2064/65 is presented in table 4.

Table No. 4.2 : Planned Sales and Actual Sales

in 000

F/Y	Planned Sales	Actual Sales	Achievement %
060/061	109042.6	104007.7	95.38
061/062	82830.4	78797.8	95.13
062/063	83410.98	79974.1	95.88
063/064	122259.03	120058.4	98.20
064/065	156392.02	152482.2	97.50

Source : Financial Report of MDPL 2060/61-2064/65

In FY 060/61, the planned sales were of Rs. 109042600 and actual sales were 104007607.95. The achievement percentage was 95.38 and the sales variance was unfavorable by Rs. 5034992.05. Similarly in FY 061/62, 062/63, 063/64 and 064/65 the planned sales were of Rs. 82830400, 83410980, 122259037 and 156392020 and actual sales were of Rs. 78797832.44, 79974070, 120058374 and 152482220 respectively. The achievement percentage was 95.13, 95.88, 98.2 and 97.5 % in the respective years. The sales variance was unfavorable by Rs. 4032567.56, 3436909.57, 2200663 and 3909800 in the fiscal year 061/62, 062/63, 063/64 and 064/65 respectively.

The source of sales was based on different services. MDPL categories them, as sales of tickets, sales of restaurant items, sales of souvenir items and other income according to their nature. The detail sale of Fy 064/65 is presented in the following table.

Table No.4. 3: Source of Sales

in 000

Sources	Actual Sales	Sales %
Sales of Tickets	144569.5	94.81
Sales of Restaurant Items	6391.04	4.19
Sales of Souvenir Items	310.5	0.20
Other Income	1211.07	0.79
Grand Total	152482.11	100.00

Source : Financial Report of MDPL 2060/61-2064/65

The above table showed, sales from tickets play important role in its total sales i.e. 94.81 % and sales from Resurrect items, other income and sales from souvenir 4.19%, 0.80% and 0.20 % respectively.

The above table shows that the actual achievement was very sound and shows the good performance of the management has considered the past sales trend in the preparation of sales plan.

It is very important to calculate the arithmetic mean, standard deviation and coefficient of variation to find out the nature of variability of planned and actual sales of different year. The detail calculation of there statistical tools by using planned and actual sales of MDPL is presented in appendix - A, summarizing the results from appendix - A,

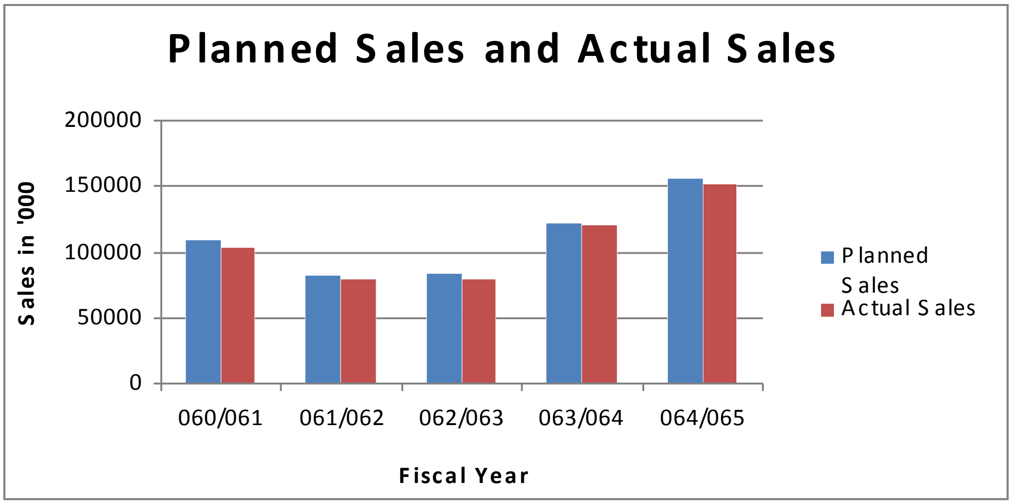
in 000

Statistical Tools	Actual Sales (Y)	Planned Sales (X)
Mean	107064	110787
Standard Deviation	27473	27370
Coefficient of Variation	25.7%	24.7%

The above table showed that planned sales were more variable than actual sales. C.V. of planned sales was less than the C.V of actual sales. Actual sales were less consistency, uniformity than planned sales. Here the table shows that MDPL's actual sales nature was less uniform than planned sales.

The figures of planned and actual sales com are presented graphical form.

Figure No 4.1 : Planned and Actual Sales by Bar Diagram



The above graphical presentation indicates that the difference between planned and actual sales was not very high. The gap of FY 060/61, 063/64 and 064/65 are also remarkable. Another statistical tools, coefficient or correlation can be used to analyze the relationship between planned and actual sales. In other words, the sales achievement should increase as the planned increase or vice versa. To find out the correlation between planned and actual figures we can take the help of Karl person's coefficient of correlation and it is denoted by (r) calculating 'r' we can examine whether there was positive correlation between planned and actual sales or not. In other words, the actual sales changes in the same direction of the change in planned sales.

For the purpose of calculating 'r' planned figures denoted by 'x' was assumed to be independent variable and actual figures denoted by 'r' was assumed to be dependent variable. The achievement would be large if the planned sales were large and vice versa. After this, significance of 'r' was tested with provable error of 'r'. the detail calculation of 'r' and probable error of 'r' is presented in appendix- A we have the calculated value of 'r' is 0.99.

The value of r shows that there was positive correlation between planned and actual sales. The positive of r shows the positive correlation. This value of r always lies between +1 and -1. If the value of 'r' was near +1 the relation would closer and if the value of r was near -1, there would perfect negative relationship between the variables. Here the value of r is 0.99 and it can be said that there was positive relation but the degree of correlation is very high. The correlation examination makes clear that the actual sales will not change to some extent, as the planned sales will. All then can really be said that when estimating the value of one variable from the value of another, the higher the value of r the better the estimates and vice versa.

The significance of r is tested by the help of probable error of r. The probable error of the coefficient of correlation helps in interpreting its value. With the help of probable error, it is possible to determine the reliability of the value of the coefficient we have probable error of r = 0.0006

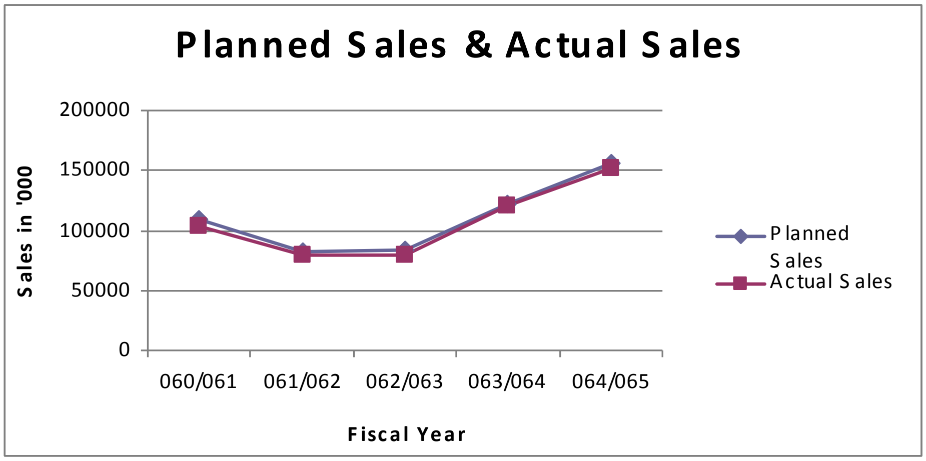
The evidence of correlation is assumed high as 'r' exceeds the PE of 'r' by six times. But in case of MDPL, comparing the 'r', 'r' exceeds PE of 'r' by 6 times. This shows there is high level of correlation or there is high evidence of correlation. Now, we can analyze the planned sales and actual sales y the help of coefficient of determination of (r^2)

Coefficient of determination (r^2) = $(0.99)^2$ = 98%

In context of MDPL actual sales were determined by the planned sales. Actual sales are determined 98% by the plan. Therefore, we conclude that there are 2% other reasons which determine the actual sales. This implies, the sales planning has stood on realistic and is prepared in real basis.

The least square method has also been used to analyze trend of actual sales and estimate the possible future sales for a given time period..

Figure No 4.2 : Planned and Actual Sales by Line Diagram



The above diagram showed that actual sales was decreasing at first two years and increasing from FY 2062/063 to 064/065.

Time element is an important factor which determines the future sales. Time series helps to express the trend in terms of straight line trend by least square method is given below:

Table No.4. 4: Time Seris of Actual Sales

in 000

F/Y	Actual Sales (Y)	Time (X)	X^2	XY
060/061	104007.7	-2	4	-208015
061/062	78797.8	-1	1	-78797.8
062/063	79974.1	0	0	0
063/064	120058.4	1	1	120058.4
064/065	152482.2	2	4	304964.4
N = 5	**535320.2**	**0**	**10**	**138209.6**

Source : Financial Report of MDPL 2060/61-2064/65

$$a = \frac{Y}{N} \text{X} \frac{535320.5}{5} = 107064.04$$

$$b = \frac{XY}{X^2} \text{X} \frac{138209.6}{10} = 13820.96$$

Straight Line equation

y = a + bx = 107064.04 + 13820.96 x

FY 062 / 063 was assumed as base year, so the value of 062 / 063 is zero (0) and negative for the year 060 / 061 & 061 / 062 and positive for the year 063 / 064 This trend line showed the favorable sales figure for future . The sales would be increased by Rs 3356171.8 every year, if the trend of the past years continues in the future.

By using trend equation, we can estimate the actual sales for f y 065/066. The value of x for the year 065/066 = 3 (base year 062/063) then the sales for 065/066 =

106134410.6 + 13356171.8 X 3

= Rs. 14, 620, 2926

If the trend does not change, the possible sales for FY 065/066 would be Rs. 146202926.

4.3 Analysis of Purchase

It is very important to analyze the purchase Budget for the purpose of formulation of the Budget. Profit is the difference of sales and cost. Profit volume is depends upon the size of purchase. MDPL has not the practice of preparing purchase budget. MDPL prepares Target purpose for the coming year, but not in detail. Purchase budget is not prepared as needed by sales plan. Generally purchase budget is prepared on the basis of budgeted sales and planned inventory levels. Purchase budget should be prepared by quantity and cost per units of the products. But MDPL prepares its purchase budget by rupees amount only. The following table presents the purchase budget and actual purchase achievement in rupees from FY 060 / 061 to 064 / 065.

Table No. 4.5: Planned and Actual Purchase

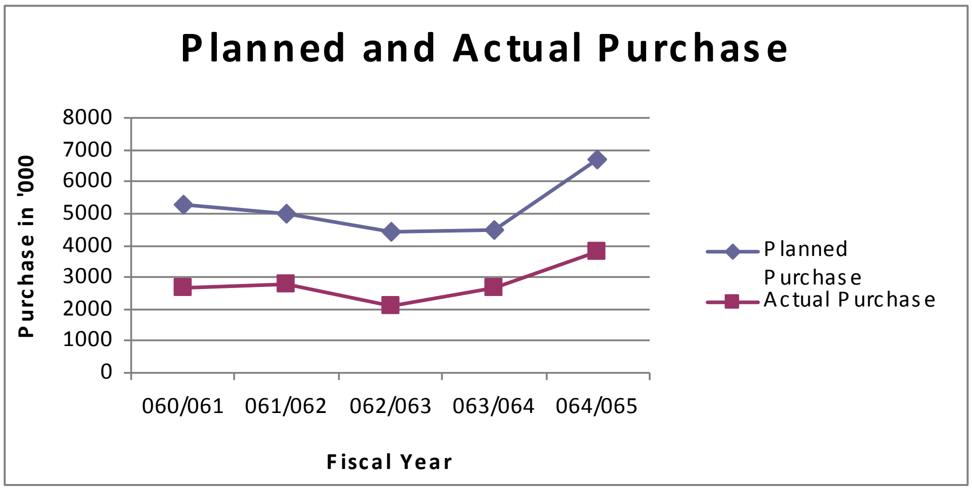
in 000

F/Y	Planned Purchase	Actual Purchase	Achievement%
060/061	5285.5	2667.6	50.47
061/062	4967.7	2783.9	56.04
062/063	4416.9	2122.8	48.06
063/064	4507.5	2661.6	59.05
064/065	6709.7	3825.7	57.02

Source : Financial Report of MDPL 2060/61-2064/65

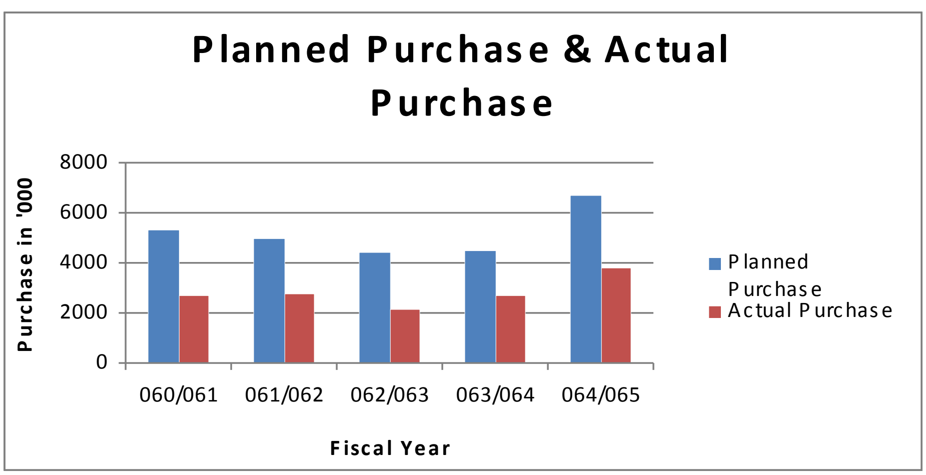
The table above showed the achievement percentage and variation in planned purchase and Actual purchase. In FY 2060/061, there was 50.47% achievement while on 061/062, had increased to 56.03 % there was very low Actual purchase achievement. In FY 062/063 target and actual achievement was much satisfactory on FY 2063/064. The data is distributed in line diagram as follows:

Figure No 4.3 : Planned and Actual Purchase by Line Diagram



The above graphical presentation showed that planned purchase was higher than actual purchase in every year but in FY 062/063 between actual and planned purchase. There was similar gap in f y 061/062, 063/064 and 064/065. The presentation of the purchase plan and achievement was more effective in by in bar diagram which can be shown as follows:

Figure No 4.4 : Planned and Actual Purchase by Bar Diagram



It is very important to calculate the Average, standard Deviation and coefficient of variation to find out the nature of variability of planned and actual purchase of different year. In detail calculation of their statistical tools of MDPL is presented in Appendix -B,

in 000

Statistical Tools	Actual Purchase (Y)	Planned Purchase (X)
Mean	2812	5177
Standard Deviation	556.2	828.34
Coefficient of Variation	19.8	16.0

The above table showed there was high gap between Actual sales and Actual purchase nun - manufacturing companies Administrative expense. Although size of purchase plays vital role in inventory management and sales plan. So it is very important to analyze the comparative calculation of actual sales and Actual purchase.

Table No. 4.6 : Actual Sales and Actual Purchase

in 000

F/Y	Actual Sales	Actual Purchase
060/061	104007.7	2667.6
061/062	78797.8	2783.9
062/063	79974.1	2122.8
063/064	120058.4	2661.6
064/065	152482.2	3825.7

Source : Financial Report of MDPL 2060/61-2064/65

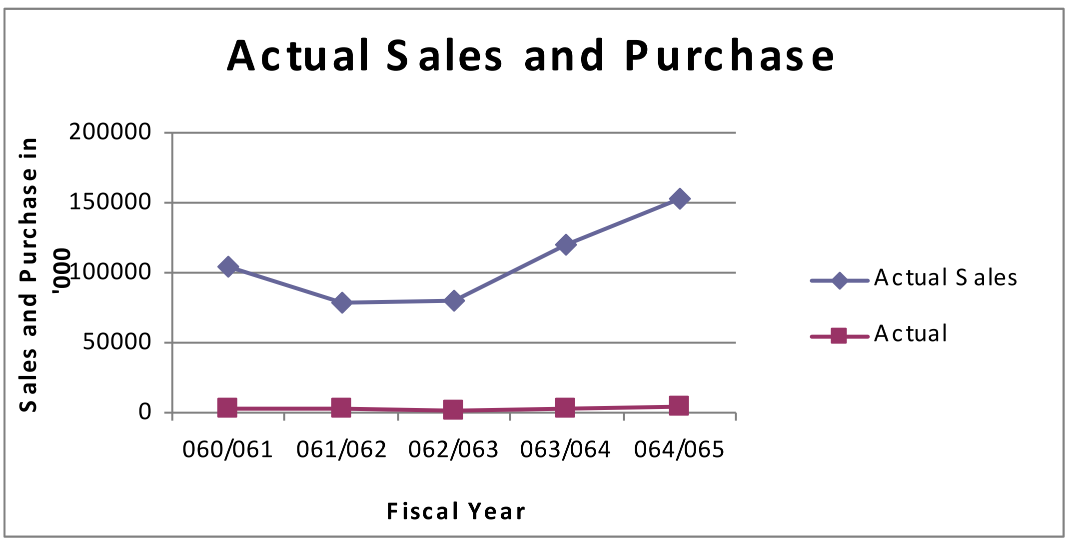
This table showed that the level of Actual sales and Actual purchase was varying. In order to find the nature of variability, we have to calculate the mean, standard deviation, coefficient of variation and correlation coefficient. The detail calculation of these statistical tools are given in Appendix- C, Summarizing the result of Appendix -C , we have, in 000

Statistical Tools	Actual Sales (X)	Actual Purchase (y)
Mean	107064	2812
Standard Deviation	27473	556.2
Coefficient of Variation	25.7	19.8

The above analysis showed that actual purchase was less variable than actual sales; the coefficient of variation of actual purchase was less than the coefficient of variation of actual sales.

The data of actual sales and actual purchase can also be presented in graphical form by using line Diagram.

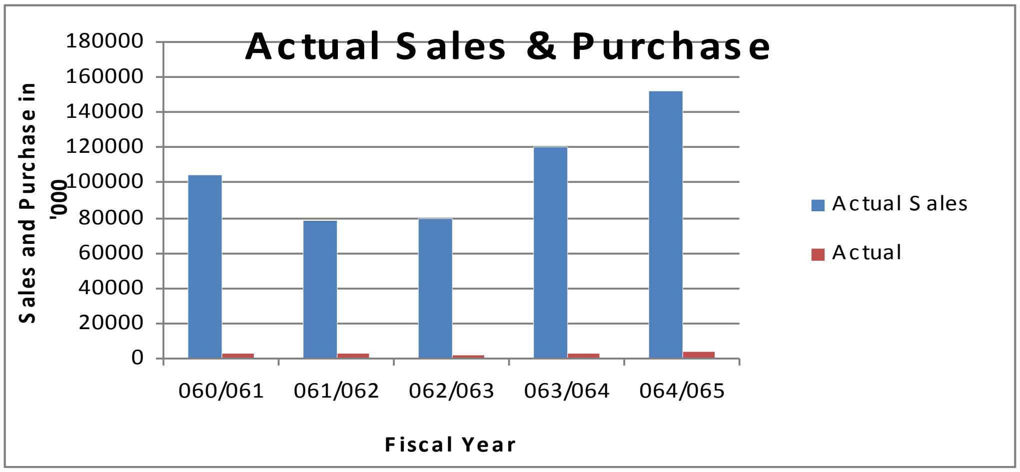
Figure No 4.5 : Actual Sales & Actual Purchase by Line Diagram



The graphical presentation shows that the actual sales were higher than Actual purchase in ever year. Individually sales were decreasing in FY 061/062 and increasing in FY 062/063 to 064/065. But purchase were decreasing in FY 060/061, 061/062, 062/063 and increasing in FY 063/064 and 064/065.

We can present the Actual sales and purchase achievement more effectively by following bar diagram.

Figure No 4.6 : Actual Sales & Actual Purchase by Bar Diagram



4.4 Analysis of Inventory Levels

Inventory management is the process of minimizing the total cost & determines the inventory level. Planning of inventory level is important in the budgeting process. Inventory represents relatively high investment of the enterprise. It may have a significant impact on the major functions of the enterprise & its profitability.

The size of inventory level is depends upon the sales & purchase level of enterprises. When sales exceed purchases, and then inventory going to be decreased.

Inventory = sales - purchase (if there is no production)

(If sales > purchase)

Therefore, the enterprise has to keep a certain level of inventory for smooth sales activities. The size of inventory level may differ in different enterprise as their nature and size. So each enterprise may develop different inventory policies according to their nature

MDPL had no proper inventory policies. There were some techniques to determine inventory level i.e. economic order quantity, re-order level, maximum stock level, minimum stock level and average stock etc. But there were no practice of any above techniques by MDPL.

By analyzing inventory level of MDPL, generally it was fluctuating year by each and determined by the volume of purchase and sales. MDPL had general practice of purchasing goods for the requirement of three months to six months. This purchase behavior had made contribution to overstocking if the goods are not sold promptly. We can analyze the inventory level of MDPL by showing the trend of finished goods inventory. The following table shows the trend of finished goods inventory.

Table No. 4.7 : Opening and Closing Inventories for the Years

F/Y	Opening Inventory (Rs.)	Closing Inventories (Rs.)
060/061	831062	816868
061/062	816868	684365
062/063	684365	623395
063/064	623395	427388
064/065	427388	322737

Source : Financial Report of MDPL 2060/61-2064/65

The above table showed wide fluctuation on inventory which showed weakness of management. Since there is lack of standard and norms in the inventory management. The trend of finished goods inventory was decreasing from FY o60/61 to 064/65 which means the management was improving to determine the inventory level. Although the above table shows that MDPL had not appropriate purchasing system. MDPL purchase goods without proper market study, demand forecasting and environmental condition analysis.

4.5 Manpower Planning

Manpower is the heart of service organization. How much it is important for organization that much complex is manpower planning. It is a complex task for the enterprise. However, the well planned manpower is definitely the most valuable asset of the enterprise. For effective budgeting and planning manpower is a most essential. The personal management is related to detail study of:

- Personnel needs
- Recruitment

- Training
- Job description and evaluation
- Performance evaluation
- Union negotiation and
- Wages and salary distribution etc.

MDPL is a service enterprise. But there is no systematic approach of manpower planning in MDPL. MDPL had fixed salary to employees and few daily wages workers. These daily wages workers were allowed to work, when they were needed. MDPL had not any effective programs to increase the morale of employees and it was also unable to increase the productivity of its employees. Therefore, it can be said the MDPL was failed to control manpower cost. The following table shows the present employees data of MDPL.

Table No. 4.8 : Staffs of MDPL

Nature of staffing	**Administrative**	**Technical**	**Total**
Officers	11	4	15
Non – officers (Assistants)	58	13	71
Total	**69**	**17**	**86**

Source: Opinion Survey, 2009

According to above table, it is cleared that MDPL has 86 staffs since this survey. The total manpower were classifying as administrative and technical. There were 69 employs in administration and 17 in technical. The total no. of officers was 15 and non-officers 71. This shows that 5 assistants needed for one officer in average.

4.6 Administrative Expense Budget

Planning of expenses is essential in the process of budgeting. The expenses planning focus on better utilization of limited resources. This plan highlight the relationship between the expenditure and the revenue generated from these expenditure.

Expenses incurred in the office administration are budgeted in administrative expenses budget. Generally all indirect expenses are budgeted in this budget. Generally, the budgeted and actual administrative expenses of various years are tabulated below.

Table No. 4.9: Administrative Expenses Budget and Actual:

FY	Planned Amount	Actual Amount	Variance	Percentage
060/061	20575353	19546585	1028768	95
061/062	21351708	20497640	854068	96
062/063	27467860	26643824	824036	97
063/064	36337790	35974412	363378	99
064/065	47135312	46192606	942706	98

Source: Financial Report of MDPL, 2060/061 -2064/065

The above figure showed that the administrative expenses were almost fixed. There was a lowest variation in expenses in fiscal year 2063/064 and 2064/065.There was a high variance in fiscal year 2060/061.There was a great increment in expenses in fiscal year 2063/064 due to the increment of salary.

4.7 Fixed or Static Budget Comparison

The fixed expenses are those that do not vary with output or productive activities. They accrue primarily with the passages of time that is they are time expenses. Fixed expenses are caused by the holding of assets. Fixed expenses are of two principle types. First, executive management decisions establish commitments to certain fixed expenses that is depreciation, taxes and insurance etc. Second, are set by the management discretion on a short-term basis that is salaries, advertising and research expenditures.

Fixed assets are also known as long-term or non-current assets. These assets from which the benefits can be realized in more than one accounting year. They are accrued for long-term purpose and used to produce goods and services that generate future cash flows. Fixed assets increase the earning capacity of the business .Fixed assets can be categorized in two groups, tangible fixed assets and intangible fixed assets. Tangible fixed assets are land and building, plant and machinery, equipment, vehicles, furniture etc. are most needed to establish and operate the business. It plays great role in service organization and MDPL also a service organization which have more fixed assets than other assets.

The following table shows the fixed assets of MDPL newly added in fiscal year from 2061/062 to 2064/065.

Table No. 4.10: Fixed Assets:

FY	Pool 'A'	Pool 'B'	Pool 'C'	Pool 'D'	Total
060/061	148333	442834	558340	183867	1333374
061/062	348459	832145	144578	273500	1598682
062/063	676320	147890	-	111750	935960
063/064	-	537613	6095093	238834	6871540
064/065	414628	1382161	1000000	272600	3069389

Source: Financial Report of MDPL, 2060/061 -2064/065

The above table showed that total fixed assets were categorized in pool ‘A’, ‘B’, ‘C’ and ‘D’. Pool ‘A’ was related to land and building, other construction and land and development structure. In this pool depreciation was chargeable @ 5%. Pool ‘B’ was related to furniture and office equipment in this group the rate of depreciation was @ 25%.Pool ‘C’ , this pool includes vehicles, bus, van, car and automobiles and depreciation was chargeable @ 20%. Pool ‘D’ is related to plant and machinery, equipment related to kitchen and restaurant. In this pool depreciation is chargeable @ 15%.

4.8. Operating Expenses Budget:

Operating Expenses is based on output or activity increases or decreases, but in proportion to changes in the activity base that means it is semi-variable expenses in nature. It has some of the characteristics of both fixed and variable cost. The variability of operating expenses was caused by the combine effect of (a) as passages of time (b) activity or output and (c) discretionary management decisions. These expenses frequently represent a significant portion of company expenses. MDPL shows the operating expenses by including indirect office expenses and indirect expenses related to manpower.

The following table shows the operating expenses of MDPL from fiscal year 2060/061 to 2064/065

Table No: 4.11: Operating Expenses Budget

FY	Planned Amount	Actual Amount	Variance	Percentage
060/061	10028149	9526742	501407	95
061/062	8950184	8323671	626513	93
062/063	9361169	8986722	374447	96
063/064	14813607	13480382	1333225	91
064/065	15529012	15218432	310580	98

Source: Financial Report of MDPL, 2060/061 -2064/065

The above table showed variance between planned and actual operating expenses. There were a little variation expenses in fiscal year 2064/065 and the greater variance was in fiscal year 2063/064. The variance of operating expenses was favorable in all subsequent above five fiscal years. That shows the planned are based mainly on the rational judgment of top level management.

4.9 Selling and Distribution Expanses Budget

When a product is produced then it is distributed to the customer through the market. Then the selling and distribution expense arises. This expense includes advertisement, sales man commission, sponsorship expenses and brokerage expenses. MDPL also includes some selling and distribution expenses which can be shown in following table:

Table No 4.12: Selling and Distribution Expanses of MDPL

FY	Planned Amount	Actual Amount	Variance	Percentage
060/061	3173560	3141824	31736	99
061/062	3081262	3112075	-30813	101
062/063	2276421	2230893	45528	98
063/064	3719497	3607912	111585	97
064/065	20259904	19449508	810396	96

Source: Financial Report of MDPL, 2060/061 -2064/065

The above table showed total selling and distribution expenses from fiscal year 2060/061 to 2064/065.The average percentage of achievement were around 98.2%. That was little variation expenses in fiscal year 2060/061 and the selling and distribution was unfavorable in fiscal year 2061/062. And there was similar variation of in fiscal year 2062/063 to 2064/065.It shows that the management is continuously improving the evaluation of selling and distribution expenses.

4.9 Cash Flow Analysis

It is an analysis that provides information about the cash receipts and cash payments of an organization during a particular period resulting from the operating activities, investing activities and financial activities. It shows the net increase or decrease in cash during a particular time period and explains the changes in the cash balance. Cash operating, financing and investing activities are the major business activities that result in either or net cash inflow or a net cash outflow. A cash budget shows the cash inflows, outflows and ending position by interim periods for a specific time span.

4.9.1 Cash Budgeting

Cash budgets are inseparable parts of the business operations of all firms. The firm needs cash to invest in inventories, receivables and fixed assets and to make payment for operating expenses in order to maintain growth in sales and earnings. It is possible that a firm may be making adequate profit, but may suffer from the shortage of cash as its growing needs may be consuming cash very fast. The ‘cash poor’ position of the firm can be corrected if its cash needs are planned in advance. At times, a firm can have excess cash with it if its cash inflows exceed cash outflows. Such excess cash may remain idle. Again, such excess cash flows can be anticipated and properly invested if cash planning is resorted to. Thus, cash planning can help to anticipate future cash flows and needs of the firm and reduce the possibility of idle cash balance (which lowers firm's profitability) and cash deficits (which can cause the firm's failure).

Cash planning is a technique to plan and control the use of cash. IT protects the financial condition of the firm by developing a projected cash statement from a forecast of expected cash inflows and outflows for a given period. The forecasts may be based on the present operations or the anticipated future operations. Cash plans are very crucial in developing the overall operating plans of the firm. Cash budget is the most significant device to plan for and control cash receipts and payments. A cash budget is summary statement of the firm's expected cash inflows and outflows over a projected time period. It gives information on the timing and magnitude of expected cash flows and cash balances over the projected period.

MDPL had no practice of cash budgeting. But it was clear that the main sources of cash for MDPL were cash sales, collections from debtors, interest and dividend received from investments etc. The main items of cash usage were purchase of direct expenses, salaries, employee's welfare power, fuel, repair and maintenance, insurance, audit fees, customs etc. The following table shows the actual cash and bank balance on the end of respective fiscal years.

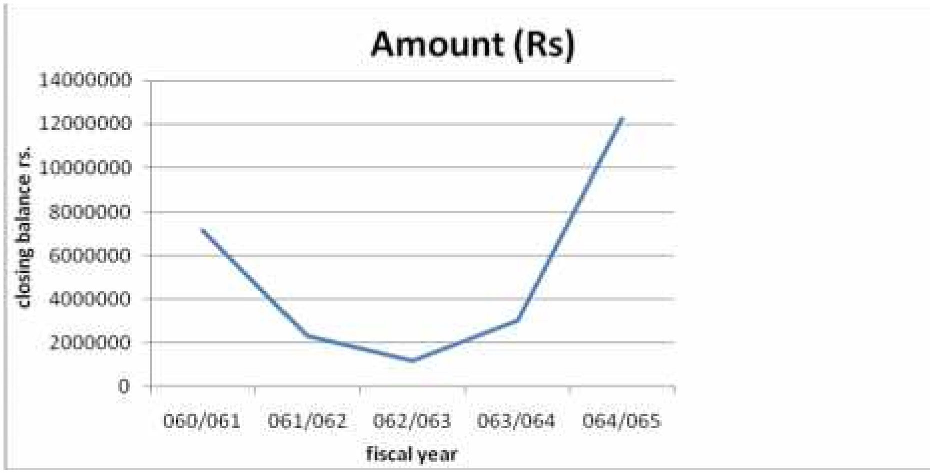
Table No. 4.13 : Cash Balance at the End

FY	**Amount**
060/061	7159698
061/062	2306016
062/063	1186933
063/064	3033456
064/065	12234482

Source: Financial Report of MDPL, 2060/061 – 2064/065

It can be presented as trend line as follows:

Figure No 4.7 : Closing Cash Balance by Line Diagram



The above table shows that the closing balance of MDPL was in increasing trend. It was beneficial for daily transactions and working capital. But holding cash did not generate revenue so exceeds working capital cash was idle.

4.9.2 Cash Flow Analysis

Cash flow statement is a statement of cash flow and it signifies the movement of cash in and out of a business concern. Thus, cash flow statement is a statement designed to highlight upon the causes which bring changes in cash position between two balance sheets dates. Now we can analyze the cash flow of MDPL in FY 2064/065. For this analysis of cash flow statements was prepared as follows:

Table No. 4.14: Cash Flow Analysis:

Particulars	Details	Amount (Rs.)
<u>CASH FLOW FROM APERATING ACTIVITIES</u> Net profit/(loss) as per Profit and Loss Account after depreciation Add: Depreciation	 33,968,957.00 20,826,737.00	
Cash Flow From Operating Activities Before working Capital Changes		**54,795,694.00**
Adjustment for Decrease/(Increase) in Current Assets Decrease/(Increase) in Current Liabilities Less: Payment of last year Taxes	 (19,811,325.00) 4,536,772.00 -	
Net Changes in working Capital		**(15,274,579.00)**
NET CASH FLOW FROM OPERATING ACTIVITIES (i)		**39,521,115.00**
<u>CASH FLOW FROM INVESTING ACTIVITIES</u> Purchase of Fixed Assets Sales of Fixed Assets	 (3,069,389.00) -	
NET CASH FLOW FROM INVESTING ACTIVITIES (ii)		**(3,069,389.00)**
<u>CASH FLOW FROM FINANCING ACTIVITIES</u> Increase in Share Capital Increase/(Decrease) in Loans Dividend Distribution	 - (2,250,700.00) (25,000,000.00)	
NET CASH FLOW FROM FINANCING ACTIVITIES (iii)		**(27,250,700.00)**
Net Cash Flow during the year (i+ii+iii)		**9,201,026.00**
Cash and Cash Equivalents: Opening Cash and Cash Equivalents: Closing	(3,033,456.00) 12,234,482.00	
Net Increase in Cash and Cash Equivalents		**9,201,026.00**

Source : *Financial Report of MDPL, 2060/061 – 2064/065*

The above table shows the cash inflow and cash outflows for the FY 064/65 the net cash from operating activities gives positive figure, which indicates that MDPL's generation of cash from its operating activities meet to pay the obligations created by its operating activities in FY 064/65. The main causes for cash surplus were low investment in inventories, high collection from debtors and receivable, and no advance expenses. Similarly, MDPL had paid its current liabilities i.e. payables, which increased cash outflows. MDPL had total of Rs 39521115 cash from operation. This inflows could bear the cash need, thus, MDPL had not taken short term loan. Similarly, there was a cash outflow from investment activities i.e. 3069389 which was used to purchase of fixed assets. This gives the net cash outflow from investing activities. There was also cash flow from operating activities. MDPL had total of Rs. (27250700) cash from financing activities including 25000000 dividend distributions. Thus the net changes in cash gives cash outflow of Rs. 9201025. This cash outflow was met by cash and bank balance which was already in its hand. The closing balance of cash was increased to Rs. 9201025. The analysis indicates there were satisfactory cash flows in MDPL.

4.10 Variance Analysis

Comparison of actual results with planned or budget goals has been emphasized as an integral part of the control process. A basic feature of performance reports was the reporting of variance between actual results and planned. A careful management study should be made to determine the underlying cause for significant variance. Following steps were taken while analyzing variances:

1. Standard should be developed for required variables.
2. Comparison between actual results and planned (standard) should be made to find variance.
3. Causes should be analyzed and diagnosed as controllable and uncontrollable.

4. Responsibility and accountability should be assigned to related center and authorized personnel should be made accountable for controllable causes of unfavorable variances.

5. Necessary corrective action should be taken to improve unfavorable variance.

MDPL did not have well-developed scientific system of predetermining standard regarding various expenses and profit, sales etc. Simply a rough comparison between targets and actual was made for variance analysis. Here, variance analysis between planned and actual purchase planned sales and actual sales had been made.

Table No. 4.15 Purchase Variance

'in 000'

F/Y	Planned Purchase	Actual Purchase	Variance	Remarks
060/061	5285.5	2667.6	2617.90	Favorable
061/062	4967.7	2783.9	2183.80	Favorable
062/063	4416.9	2122.8	2294.10	Favorable
063/064	4507.5	2661.6	1845.90	Favorable
064/065	6709.7	3825.7	2884.00	Favorable

Source : Financial Report of MDPL 2060/61-2064/65

The above table presented the purchase variances. It was favorable in every year. Since the available data gives detailed analysis about purchases as purchase price and units purchased, the in –depth variance analysis can't be made. Management should develop planned purchase and actual purchase in terms of price per unit as well as units of purchase.

Table No. 4.16: Sales Variance

in 000

F/Y	Planned Sales	Actual Sales	Variance	Remarks
060/061	109042.6	104007.7	5034.90	Unfavorable
061/062	82830.4	78797.8	4032.60	Unfavorable
062/063	83410.98	79974.1	3436.88	Unfavorable
063/064	122259.03	120058.4	2200.63	Unfavorable
064/065	156392.02	152482.2	3909.82	Unfavorable

Source : Financial Report of MDPL 2060/61-2064/65

The above table showed the variance between planned and actual sales for the study period. Actual sales were less than planned sales in every year, giving unfavorable variance. The actual performance of sales was not satisfactory when compared to target sales. The sales variance analysis implies that sales plan was either over ambitious or it was based on unrealistic ground. It was planned without making proper analysis of market factors. If the plan was based on realistic ground, then the low sales achieving implies that sales activities of MDPL were insufficient. Therefore, proper analysis is necessitated to avoid the causes of low sales achievement.

4.11 Analysis of Profit Pattern

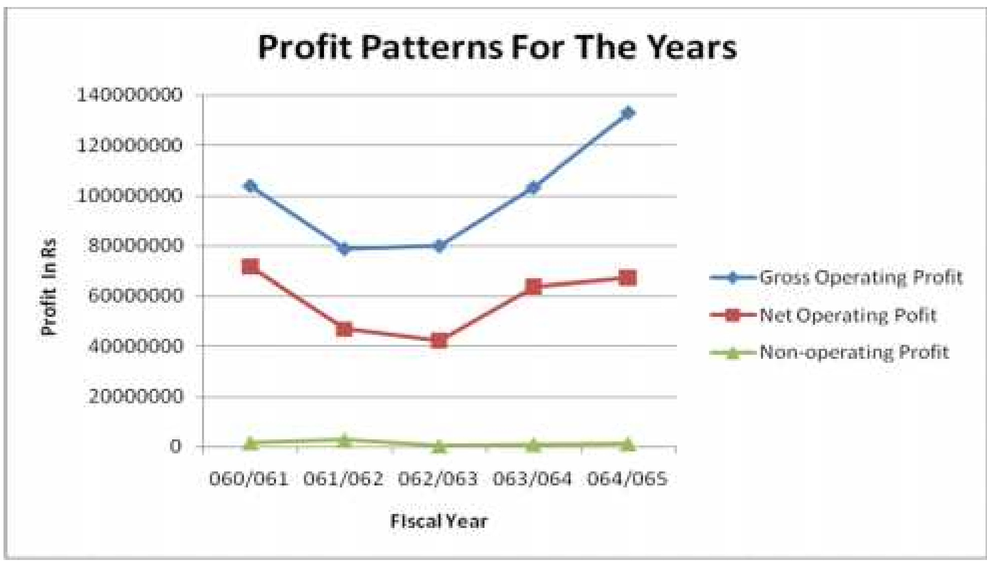
MDPL's accounting figures relating to the profit pattern for five years study period is presented in the following:

Table No. 4.17: Profit Pattern

FY	Gross Operating Profit	Net Operating Profit	Non-Operating Profit	Profit Before Tax	Profit After Tax
060/061	104007608	71792455	1640575	19585934 *	19282527
061/062	78797832	46864445	2724325	6441976 *	2276000
062/063	79974070	42112630	388305	8486616	6349015
063/064	103359451	63777126	951414	34951817	27130260
064/065	133045897	67403783	1211075	41664254	33968957

Source : Financial Report of MDPL 2060/61-2064/65

Figure No 4.8 : Profit Patterns of the Years by Line Diagram



The above table showed MDPL was running into profit in increasing trend from fiscal year 2060/061 to 2064/065. The gross operating profit was decrease in fiscal year 2061/062.Then it was continuously increasing from 2062/063 to 2064/065.On the other hand net operating profit was decreasing in fiscal year 2060/061 to 2062/063.It was Rs. 42112630 in fiscal year 2062/063 which was lowest profit among five fiscal years. Then it was increasing continuously in fiscal year 2062/063 to 2064/065.In fiscal year 2064/065 showed the net operating profit was Rs. 67403783.MDPL has non operating profit of homogenous characteristics. It was much more consistent for the study period for around the average of

Rs. 1383138.8.MDPL has non-operating profit as house rent, income from transportation and dividends earned in the long-term investment in shares of various organization. The profit after payment of tax was sum heterogeneous for the fiscal year 2060/061,2061/062 and 2062/063.And this was reached highest in fiscal year 2064/065.In fiscal year 2060/061 there was Rs. 19585934 profit including prior year income adjustment of Rs. 1306077.49.And in fiscal year 2060/061 Rs. 303407 was paid for prior year tax adjustment and Rs. 4165976 was deducted for prior year tax adjustment in fiscal year 2061/062 but income tax was not deducted at the same year in above both years. And it was started to deduct income tax for the current year from fiscal year 2063/064 to 2064/065.But the profit after tax in fiscal year 2064/065 was very high than previous year.

An effort has been made to analyze the trend of profit by using least square straight line trend analysis. The net operating profit was taken for the analysis.

Now, the least square trend was presented by,

Y = a + bX

Where, Y is net profit

X is the time when fitting the straight line trend

Table No. 4.18: Least Square Trend of Profit

FY	**Net Operating Profit(Y)**	**X**	**X^2**	**XY**
060/061	71792455	-2	4	-143584910
061/062	46864445	-1	1	-46864445
062/063	42112630	0	0	0
063/064	63777126	1	1	63777126
064/065	67403783	2	4	134807566
N= 5	**ΣY = 291950439**	**ΣX = 0**	**ΣX^2 = 0**	**ΣXY =8135337**

The Least Square Straight Line is:

Y + bx

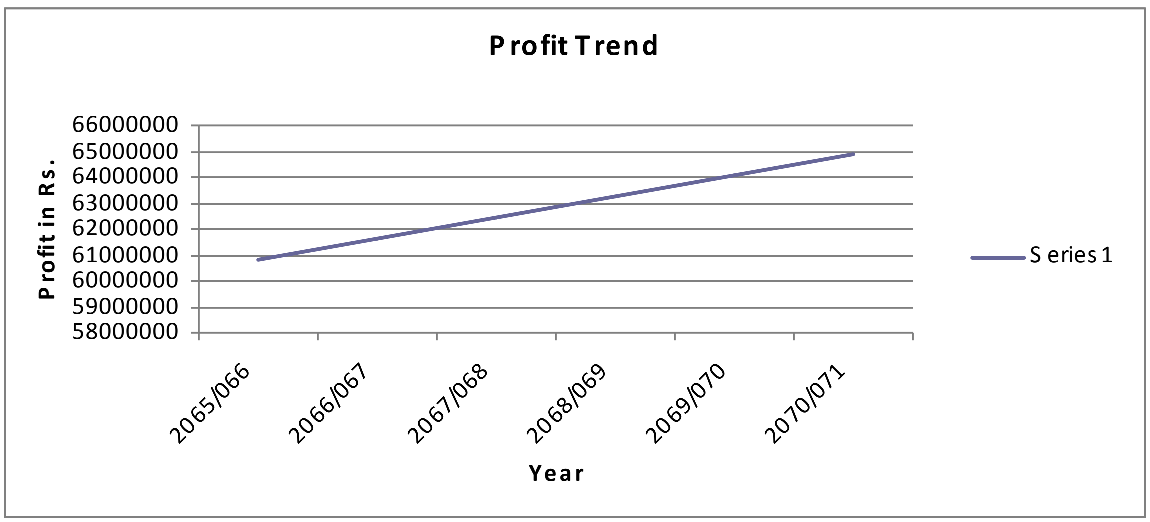
Substituting the values of a and b,

Y= 58390087.8 + 813533.7 X

Analyzing the characteristics of profit and loss trend of MDPL by least square straight line trend, it could be concluded that MDPL had a positive trend of profit which means profit would increase in future if other things remain unchanged. Therefore, analysis of the variables related is to be analyzed and corrective action is needed for further improvement in profitability of MDPL.

By using the above trend line, the profit pattern of MDPL for next five years is forecasted in Appendix D and trend line of that appendix is presented in the following chart.

Figure No 4.9 : Expected Profit Forcasted by Line Diagram



** Series1 denotes forecasting of coming years' profit.*

The above line diagram showed that the profit would be increase from FY 2065/066 to 2070/071.

4.12 Feed Back from the Primary Data

The outcomes of the questionnaires distributed to the sample size of 50 visitors who used cable car services are as follows:

Sample Size:	60
Rejected:	10
Considered:	50

(A) Age of the Respondents

The outcomes of 50 visitors were categorized in 5 age groups. Frequency and the percentage had been calculated on the basis of total no. of visitors. The report of questionnaire distributed to visitors was categorized as follows:

Table No. 4.19: Age of the Respondents

Age Group	Frequency	Percentage
10 - 20 Years	5	10%
20 - 30 Years	20	40%
30 - 40 Years	15	30%
40 - 50 Years	5	10%
Above 50 Years	5	10%
Total	50	100%

Source: Opinion Survey, 2009

From the above table, it could be analyzed that the maximum number of visitors to Manakamana temple was aged group 20-30. This age group holed 40% of the total cable car visitors at Manakamana temple. Similarly, 30% of the visitors were between 30 - 40 years of age. Visitors of age group 10 - 20, 40 - 50 and above 50 hold 10% each. It can be concluded that maximum users of MDPL's cable car service are the youngsters or the youths. Manakamana is a few hours drive from Kathmandu. So the visitors of age group 20 - 30 seem to visit the temple frequently.

(B) The Purpose of Visit

The questionnaire was prepared by including three main purpose of visit. They were worship, sightseeing and enjoy cable car ride. The result of observation was presented as follows:

Table No. 4.20: Purpose of Visit by Respondents

Purpose of Visit	Frequency	Percentage
Worship	30	60%
Sight Seeing	5	10%
Enjoy cable car ride	15	30%
Total	50	100%

Source: Opinion Survey, 2009

It would be analyzed from the above table that the visitors visited cable car mostly for religious purpose.60% of the cable car users visited for the purpose of worship. Only 10% visitors came with the purpose of viewing spectacular hills and Himalayan ranges. 30% of the cable car users simply visited for enjoying cable car ride.

(C) Frequency of Annual Visit

Some people usually visit the cable car and Manakamana Temple. The following table showed the report of this observation.

Table No. 21: Frequency of Annual Visit

Frequency of Annual Visit	Frequency	Percentage
Twice a month	10	20%
Once a year	30	60%
No Visit once a year	10	20%
Total	50	100%

Source: Opinion Survey, 2009

After the introduction of cable car services, 60% of the visitors visited the temple once in a year. While 20% of them visited twice in a month. 20% of the visitors did not visit for even once in a year.

(D) Price of Ticket Reasonable or Not

MDPL had categorized the cable car tickets rates in different price rate. Price to normal people is charged as Rs.278, child Rs.195, student Rs.221, elder Rs.221 and foreigner USD 10. The opinion survey related to reasonability of price showed the following reports:

Table No. 4.22: Price of Ticket Reasonable or Not

Reasonable or Not	Frequency	Percentage
Yes	20	40%
No	30	60%
Total	50	100%

Source: Opinion Survey, 2009

40% of the visitors had the opinion that the price charged by the MDPL is reasonable. While 60% of them, felt that price is not reasonable despite favorable discount offers.

(E) With Whom the Respondents Visit Cable Car

The visitors, he or she does not used to visit alone. So the observation showed that source of respondents to whom they used to visit.

Table No. 4.23: With Whom the Respondents Visit

With Whom	Frequency	Percentage
Friends	25	50%
Family	15	30%
Others (Tourist, neighbors)	10	20%
Total	50	100%

Source: Opinion Survey, 2009

It was analyzed from the above table that the visitors used cable car to go Manakamana Temple mostly with friends. 50% of the cable car users visited with friends. Only 30% cable car users visited with family. 20% of the cable car users visited with other like tourist and neighbor.

4.13 Corporate Social Responsibility (CSR):

CSR is the one of the responsibility of organization that has to bear in the current scenario. In the present situation CSR plays great role in the growth of organization. As every organization is established with a view to maximize profit whereas every organization has to bear CSR for long-term sustainability. The organization has been doing various activities for society which is enlisted as follows:

1. It has helped in the preservation of the temple by donation.
2. It provides low price rate to the people of locality than outer visitors.
3. It becomes easy means of transportation to the local people in short time to their destination.
4. It is the only one cable car in Nepal which attracts tourist to visit at the temple from which the local people are benefited such as by selling their local products and their services.
5. It also helps to make popularity of the locality in national and international level.
6. MDPL provides Rs.50 lacks for Manakamana area development every year. (nepalnews.com 8th dec,2008)

Besides these CSR the organization is not able to consider the following things:

1. To provide the equal opportunity to all level of people.
2. It cannot fulfill the environmental compensation such as deforestation.
3. It is not appropriate means of transportation in odd hour such as evening time.

4.14 Major Findings

The major findings of the present study can be summarized as follows:

- MDPL has not the practice of preparing comprehensive sales plan. But it prepares only target sales in totality.
- The regression analysis and straight trend line suggests that the actual sales are in increasing trend.
- The actual sales and actual purchase is positively correlated. It means purchases are made on the basis of actual sales.
- MDPL is not in loss from the last few years. Analysis of profit pattern shows increasing trend of profit. This shows efficiency in Budgeting and cost control.

- MDPL is not sufficient from high level of variable cost i.e. procurement cost is very low. It implies profitability is mainly determined by the composition of fixed cost.
- MDPL has not a system of forecasting.
- There is more consistency between planned (target) and actual sales.
- Actual sales are less homogeneous than planned sales.
- The variance is highly unfavorable in every year
- The average sales achievement of the study period is about 96.5 % of planned sales.
- The correlation coefficient is positive and less consistent.
- The straight line trend shows the unfavorable figure for future.
- Both target and achievement indicate the unfavorable future of MDPL.
- The regression equation shows that there is negative relationship between planned sales and actual sales.

Chapter V

SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 Summary

Manakamana Darshan Pvt. Ltd., a pioneering company in cable car system in Nepal and is a wholly owned subsidiary of Chitwon COE Company Nepal Pvt. Ltd., a leading construction company of Nepal. It is the first company, which started cable car system in Nepal and has started its operation commercially from 25th November 1998. It has been successful in presenting itself as a pioneer in the cable car system with a touch of elegance and consciousness for safety, cleanliness and excellent service.

The company had been operated with the initial cost of Rs. 40 corers. Out of the total cost, 42% has been collected from equity participation and 58% has been raised through different banks and financial institution. Nepal Bank Limited has been the leading lender bank for MDPL. In financial front, although the company previously was incurring loss, but this loss was because of heavy depreciation expenses and other administrative cost. But once the company reaches the break even and with the present trend of increased visitors, the company will start making profit in long run.

The effective operation of a business concern resulting in to the excess of income over expenditures fully depends upon as to what extent the management follows proper planning, effective co-ordination and dynamic control. This requires that management must plan for future activities so as to maintain profitability and productivity of the business concern. The procedure for preparing plan in respect of future financial and physical requirements is generally called "Budgeting".

The most important part of present study is analysis of budget which includes: sales plan, purchase plan, plan of expenses, planning cash flow, budgeted profit and loss account and balance sheet. The other important component for analysis is operating profit and profit patterns. With the purpose of analyzing the sales, purchase and other related figures of different year are presented and analyzed to estimate the possible trend of MDPL. For this purpose, this study covers the period of 5 years from FY 2060/61 TO 2064/65.

The present study is a case study of profitability of Manakamana Darshan Pvt. Ltd. in the conceptual framework of Budgeting. The present study has examined the application and implementation of budgeting in MDPL and evaluated the profitability of it. The study has tried to answer of certain questions stated in the statement of the problem. The basic objectives of the present study are to appraise the profitability the budgeting procedure of MDPL. Only five years data has been analyzed to evaluate relevant changes and due to other resources constraints, the scope of the present study is limited to budgeting of MDPL. Results are not thoroughly applied over all types of service enterprises.

Mainly secondary data have been collected and used. Statistical tools like percentages, mean, standard deviation, and coefficient of variation, time series, correlation and regression have been used to analyze the data collected. Similarly variance analysis has also been used.

5.2 Conclusion

Based on the study of budgeting in Manakamana Darshan Pvt. Ltd., the following conclusions can be drawn.

- Sales from cable car service play important role in its total sales. Though actual sales are slightly lower than the planned sales, the volume of sales has been increasing over the years.

- Here the value of 'r' is 0.99 and it can be said that there is positive relation but the degree of correlation is very high. The correlation examination makes clear that the actual sales will not change to some extent, as the planned sales will. All then can really be said that when estimating the value of one variable from the value of another, the higher the value of r the better the estimates and vice versa.

- The study shows the cash inflows and cash outflows for the

- There are also cash flows from financing activities. MDPL has total of Rs.(27250700) cash from financing activities. Thus, the net changes in cash gives net cash outflows of Rs.9201025 This cash outflows is met by cash and bank which was already in its hand. The initial cash balance make the payments (outflows) required for MDPL therefore, the closing balance of cash is reduced to Rs.12234482 The analysis indicates there are satisfactory cash flows in MDPL.

5.3 Recommendations

Based on the above, the following suggestions are recommended to improve the profitability by formulation and implementation of budgeting in MDPL.

- MDPL should consider demand determinants while forecasting demand. MDPL should practice the market analysis while formulating sales plan.
- Sales forecasting should be based on realistic ground. In depth analysis of market situation should be made.
- The current assets as well as fixed assets are underutilized. MDPL should introduce programs for increasing efficiency of assets by higher turnover. Especially current assets, which are turnover programs, are needed to improve the productivity of assets.
- MDPL should develop job definitions, management information system; performances based career development opportunities, strategic planning exercises.
- Proper cash planning for cash inflows and outflows is needed to run the business smoothly.
- Expenses should be identified as fixed and variable. So that, contribution margin approach can be used to improve profitability.
- Costs reduction program should be formulated and applied, effectively.
- Profitability of MDPL can be improved in many ways. It should adopt various strategies to achieve high level of profit within the present business framework. By effective marketing program will help to increase the sales volume so that turnover

can be increased which certainly impacts upon profitability. Efficient procurement will reduce 'Cost of Goods' which will contribute to achieve the higher level of profit margin. Similarly, by attacking various expenses from many ways will rapidly improve the profitability position of the company. Therefore, MDPL is suggested to prepare strategy for improvement of profit margin.

- Causes for variance should be well analyzed and corrective action should be taken. Causes of variances should be identified as controllable and uncontrollable. Particular manager should make responsible and accountable for controllable unfavorable variances.
- MDPL should analyze company's strengths and weakness. After analyzing this, MDPL should turn its strength into opportunities and weakness into threats. MDPL should consider following opportunities and threats:

Opportunities

- Inclusion of the Manakamana temple in the "World Heritage Site".
- Promotion of the cable car services through foreign media.
- Future potential increase for the Indian tourists.
- Potential of promoting the place as a fun and recreational destination rather than only for religious purpose.

Threats as

- Frequent Nepal Banda and Strikes.
- Political Instability
- Constant landslides in the temple area
- Threats from the Maoist party
- Fluctuating Nepal Government's tax policy
- Frequent closing of the highway during rainy season.
- Threat from the displaced local business people.

These should be, then communicational to all level of management.

- Planning should be taken as a matter prime importance. It should be developed in comprehensive way and should be used s a measure for evaluating the efficiency. All personnel should be encouraged to participate on decision making and planning process. Planning department should provide adequate authority to decide and create new ideas.

- As the people in Manakamana area are having a low market for their agricultural products. Petty traders, small hoteliers who used to operate their business in the trekking route are new deprived of their existing jobs. Local villagers therefore should be employed in the company to the extent company can accommodate them. Similarly, providing the emergency services to the locals and employment opportunity to village youths are no doubt reasonable offers and MDPL must recognize this. Besides there is a tradition in almost all industries to give priority to locals for employment and MDPL must not try to break this tradition. Finally, it is concluded that MDPL contribution to the Nepalese tourism industry is noteworthy and should continue to serve the people and nation in this manner.

Finally, MDPL is recommended to adopt a systematic approach to comprehensive budgeting. Implementation of budgeting program can considerably contribute to increase profitability of Manakamana Darshan Pvt. Ltd.

Table of Contents

Page No

Viva Voce Sheet
Recommendation
Declaration
Acknowledgements
Table of Content
List of Tables
List of Charts
Abbreviations

Chapter I

INTRODUCTION

1.1 General Background 1
1.2 Statement of the Problem 4
1.3 Focus of the Study 7
1.4 Objectives of the Study 7
1.5 Scope of the Study 8
1.6 Limitations of Study 8
1.7 Organization of Study 8

Chapter II

LITERATURE REVIEW

2.1 Definition 10
2.2 Fundamental Concepts of Budgeting 18
2.2.1 Management Involvement and Commitment 18
2.2.2 Organizational Adaptation 19
2.2.3 Responsibility Accounting 20
2.2.4 Full Communication 20
2.2.5 Realistic Expectations 20
2.2.6 Time Dimension 21
2.2.7 Flexible Application 21

2.3 Basic Objectives of Budgeting and Control 21
2.4 Importance of Budgeting 22
2.3 Evolution of Cable Car & History of Manakamana Cable Car 23
2.4 Brief Review of Previous Research Works 25

Chapter III

RESEARCH METHODOLOGY

3.1 Research Design 32
3.2 The Study Unit 32
3.3 Nature and Sources of Data 32
3.3.1 Primary Source 33
3.3.2 Secondary Source 33
3.4 Data Collection Techniques 33
3.5 Data Analysis Tools and Interpretation 33
3.6 Research Variables 35
3.7 Research Gaps 36

Chapter IV

DATA PRESENTATION AND ANALYSIS

4.1 Analysis of Marketing Plan 37
4.1.1 Pricing Policy 37
4.1.2 Distribution Strategy of MDPL 38
4.1.3 Promotional Strategy 38
4.2 Analysis of Sales 38
4.3 Analysis of Purchase 44
4.4 Analysis of Inventory Levels 48
4.5 Manpower Planning 49
4.6 Administrative Expense Budget 50
4.7 Fixed or Static Budget Comparison 51

4.8. Operating Expenses Budget: 52
4.9 Selling and Distribution Expenses Budget 53
4.9 Cash Flow Analysis 54
4.9.1 Cash Budgeting 54
4.9.2 Cash Flow Analysis 56
4.10 Variance Analysis 58
4.11 Analysis of Profit Pattern 60
4.12 Feed Back from the Primary Data 63
4.13 Corporate Social Responsibility (CSR): 66
4.14 Major Findings 67

Chapter V

SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 Summary 69
5.2 Conclusion 70
5.3 Recommendations 71

Bibliography

Annexces

Annex A:

Annex B:

Annex C:

Annex D:

Annex E:

Annex F:

Annex A

Calculation of Mean, standard Deviation, coefficient of variation, coefficient of correlation and probable error.

Planned Sales and Actual Sales

in 000

F/Y	Planned Sales (X)	$(X-\bar{X})$	$(X-\bar{X})^2$	Actual Sales (Y)	$(Y-\bar{Y})$	$(Y-\bar{Y})^2$	$(X-\bar{X})(Y-\bar{Y})$
060/061	109043	-1744	3042931	104008	-3056	9340970	5331410
061/062	82830	-27957	781571484	78798	-28266	798978062	790226847
062/063	83411	-27376	749446471	79974	-27090	733862682	741613644
063/064	122259	11472	131607472	120058	12994	168854431	149072147
064/065	156392	45605	2079817849	152482	45418	2062812891	2071297919
N = 5	**553935.03**	**0**	**3745486207**	**535320.2**	**0**	**3773849037**	**3757541967**

<u>For Planned Sales</u>

i. Mean $(\bar{X}) = \frac{X}{N} = \frac{533935}{5} = 110787$ *thousands*

ii. Standard Deviation $(\pm) = \sqrt{\frac{(X-\bar{X})^2}{N}} = \sqrt{\frac{3745486207}{5}} = 27370$ *thousands*

iii. Coefficient of variation (CV) = $\frac{\pm}{\bar{X}} \times 100 = \frac{27370}{110787} \times 100 = 24.70\%$

<u>For Actual Sales</u>

i. Mean $(\bar{Y}) = \frac{Y}{N} = \frac{535320}{5} = 107064$ *thousands*

ii. Standard Deviation $(\pm) = \sqrt{\frac{(Y-\bar{Y})^2}{N}} = \sqrt{\frac{3773849037}{5}} = 27473$ *thousands*

iii. Coefficient of variation (CV) = $\frac{\pm}{\bar{Y}} \times 100 = \frac{27473}{107064} \times 100 = 25.67\%$

Carl Pearson's Correlation coefficient between planned and actual sales (X and Y) is given

$$(r_{xy}) = \frac{(X-\bar{X})(Y-\bar{Y})}{\sqrt{(X-\bar{X})^2}\sqrt{(Y-\bar{Y})^2}} = \frac{3757541967}{\sqrt{3745486207}\sqrt{3773849037}} = 0.999$$

Probable Error of r = $0.6745 \times \frac{1-r^2}{\sqrt{N}} = 0.6745 \times \frac{1-(0.999)^2}{\sqrt{5}} = 0.0006$

Annex B

Calculation of Mean, standard Deviation, coefficient of variation, coefficient of correlation and probable error.

Planned Purchase and Actual Purchase in 000

F/Y	**Planned Purchase (X)**	(X-$\bar{X}$)	(X-$\bar{X}$)^2	**Actual Purchase (Y)**	(Y-$\bar{Y}$)	(Y-$\bar{Y}$)^2	(X-$\bar{X}$) (Y-$\bar{Y}$)
060/061	5286	108	11673	2668	-145	20944	-15636
061/062	4968	-210	43999	2784	-28	808	5961
062/063	4417	-761	578452	2123	-690	475438	524421
063/064	4508	-670	448846	2662	-151	22717	100976
064/065	6710	1532	2347759	3826	1013	1026939	1552741
N = 5	**25887**	**0**	**3430729**	**14062**	**0**	**1546845**	**2168465**

<u>For Planned Purchase</u>

i. Mean $(\bar{X}) = \frac{X}{N} = \frac{25887}{5} = 5177.4$ *thousands*

ii. Standard Deviation $(\sigma) = \sqrt{\frac{\sum (X-\bar{X})^2}{N}} = \sqrt{\frac{3330729}{5}} = 828.34$ *thousands*

iii. Coefficient of variation (CV) = $\frac{\sigma}{\bar{X}} \times 100 = \frac{828.34}{5177.4} \times 100 = 16\%$

<u>For Actual Purchase</u>

i. Mean $(\bar{Y}) = \frac{Y}{N} = \frac{14062}{5} = 2812.4$ *thousands*

ii. Standard Deviation $(\sigma) = \sqrt{\frac{\sum (Y-\bar{Y})^2}{N}} = \sqrt{\frac{1546845}{5}} = 556.21$ *thousands*

iii. Coefficient of variation (CV) = $\frac{\sigma}{\bar{Y}} \times 100 = \frac{556.21}{2812.4} \times 100 = 19.77\%$

Carl Pearson's Correlation coefficient between planned and actual sales (X and Y) is given

$$(r_{xy}) = \frac{\sum (X-\bar{X})(Y-\bar{Y})}{\sqrt{\sum (X-\bar{X})^2}\sqrt{\sum (Y-\bar{Y})^2}} = \frac{2168465}{\sqrt{3430729}\sqrt{1546845}} = 0.94$$

Probable Error of r = $0.6745 \times \frac{1-r^2}{\sqrt{N}} = 0.6745 \times \frac{1-(0.94)^2}{\sqrt{5}} = 0.035$

Annex C

Calculation of Mean, standard Deviation, coefficient of variation, coefficient of correlation and probable error.

in 000

F/Y	Actual Sales (X)	(X-$\bar{X}$)	(X-$\bar{X}$)^2	Actual Purchase (Y)	(Y-$\bar{Y}$)	(Y-`Y)^2	(X-$\bar{X}$) (Y-`Y)
060/061	104008	-3056	9340970	2668	-145	20944	442308
061/062	78798	-28266	798978062	2784	-28	808	803325
062/063	79974	-27090	733862682	2123	-690	475438	18679028
063/064	120058	12994	168854431	2662	-151	22717	-1958516
064/065	152482	45418	2062812891	3826	1013	1026939	46025896
N = 5	**535320.2**	**0**	**3773849037**	**14062**	**0**	**1546845**	**63992041**

For Actual Sales

i. Mean $(\bar{X}) = \frac{\sum X}{N} = \frac{535320}{5} = 107064$ *thousands*

ii. Standard Deviation $(\sigma) = \sqrt{\frac{\sum (X-\bar{X})^2}{N}} = \sqrt{\frac{3773849037}{5}} = 27473$ *thousands*

iii. Coefficient of variation (CV) = $\frac{\sigma}{\bar{X}} \times 100 = \frac{27473}{107064} \times 100 = 25.67\%$

For Actual Purchase

i. Mean $(\bar{Y}) = \frac{\sum Y}{N} = \frac{14062}{5} = 2812.4$ *thousands*

ii. Standard Deviation $(\sigma) = \sqrt{\frac{\sum (Y-\bar{Y})^2}{N}} = \sqrt{\frac{1546845}{5}} = 556.21$ *thousands*

iii. Coefficient of variation (CV) = $\frac{\sigma}{\bar{Y}} \times 100 = \frac{556.21}{2812.4} \times 100 = 19.77\%$

Carl Pearson's Correlation coefficient between planned and actual sales (X and Y) is given

$$(r_{xy}) = \frac{\sum (X-\bar{X})(Y-\bar{Y})}{\sqrt{\sum (X-\bar{X})^2}\sqrt{\sum (Y-\bar{Y})^2}} = \frac{6992041}{\sqrt{3773849037}\sqrt{1546845}} = 0.83$$

Probable Error of r = $0.6745 \times \frac{1-r^2}{\sqrt{N}} = 0.6745 \times \frac{1-(0.83)^2}{\sqrt{5}} = 0.093$

Annex - D

Calculation of the Trend Net Operating Profit

FY (X)	Net Operating Profit(Y)	X	X^2	XY	Y= a + bX
060/061	71792455	-2	4	-143584910	56763020.4
061/062	46864445	-1	1	-46864445	57576554.1
062/063	42112630	0	0	0	58390087.8
063/064	63777126	1	1	63777126	59203621.5
064/065	67403783	2	4	134807566	60017155.2
N= 5	**ΣY = 291950439**	**ΣX = 0**	**ΣX^2 = 10**	**ΣXY = 8135337**	

Calculation of a, b value

We know,

The straight line trend is given by the following formula:
Y = a + bX ……………………. (i)

Where,
Y = Value of net operating profit
a = Total net operating Profit
b = Rate of change of net operating profit
X = Year

$$a \,X \frac{y}{n} \quad b \,X \frac{xy}{x^2}$$

$$a \,X \frac{291950439}{5} X 58390087.8$$

$$b \,X \frac{8135337}{10} X 813533.7$$

Putting the value of a and b in equation (i) for coming FY 2065/66 to 069/70

Fy	Time (X)	Expected profit y=58390087.8 + 813533.7 X
2065/066	3	60830689
2066/067	4	61644223
2067/068	5	62457756
2068/069	6	63271290
2069/070	7	64084824
2070/071	8	64898357

Annex –E

Questionnaire

Dear Respondents,

This survey is done as a part of study on Manakamana Darshan Private Limited.Please kindly co-operates to fill up the questionnaire.

1. Name of respondents:
2. Address:
3. Age:
4. Sex:
5. Purpose of visit: ∝ Friends ∝ Sight Seeing ∝ Enjoining cable car ride
6. With whom do you visit? ∝ Friends ∝ Family ∝ Others
7. Frequency of visit(Yearly/monthly):
8. Number of visit after the introduction of cable car service.
9. Do you think that the price for ticket charged is reasonable?

   ∝ Yes ∝ No
10. Your suggestions (if any) for the improvement of cable car service.

Annex F

MANAKAMANA DARSHAN (P) LTD
ORGANIZATION CHART