

**PROFIT PLANNING AND CONTROL OF GRAND  
HOTEL PVT. LTD.**

**By:**

**HURMAT KUMAR POKHAREL**

**T.U. Regd. No. 7-1-32-304-97**

**SDC Roll No. 1234/061**

**Shanker Dev Campus**

**Kathmandu, Nepal**

**A Thesis**

**Submitted to:**

**Office of the Dean**

**Faculty of Management**

**Tribhuvan University**

**In the Partial Fulfillment of the Requirement for the Master's  
Degree in Business Studies (MBS)**

**February, 2009**

## RECOMMENDATION LETTER

This is to certify that the thesis

Submitted by:

Hurmat Kumar Pokharel

Entitled

**PROFIT PLANNING AND CONTROL OF GRAND HOTEL PVT. LTD.**

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

.....  
Shanker Raj Joshi  
Thesis Supervisor  
Shanker Dev Campus

.....  
Dr. Kamal Deep Dhakal, Reader  
Campus Chief  
Shanker Dev Campus

.....  
Prakash Singh, Associate Professor  
Thesis Supervisor  
Shanker Dev Campus

Date: .....

## VIVA-VOCE SHEET

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

Hurmat Kumar Pokharel

Entitled

### **PROFIT PLANNING AND CONTROL OF GRAND HOTEL PVT. LTD.**

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

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

### **Viva-voce Committee**

Head of Research Department	.....
Member (Thesis Supervisor)	.....
Member (Thesis supervisor)	.....
Member (External Expert)	.....

Date: .....

## DECLARATION

I hereby declare that the work reported in this thesis entitled "**PROFIT PLANNING AND CONTROL OF GRAND HOTEL PVT. LTD.**" submitted to Shanker Dev Campus, faculty of management, Tribhuvan University, is my original work. It is done in the form of partial fulfillment of the requirement for the Master's Degree in Business Studies under the supervision of Mr. Shanker Raj Joshi, and Mr. Prakash Singh, Associate Professor of Shanker Dev Campus.

Date: February 2009

.....

Hurmat Kumar Pokharel

(Researcher)

T.U. Regd. No. 7-1-32-304-97

Campus Roll No. 1234/061

Shanker Dev Campus

## **ACKNOWLEDGEMENTS**

I am extremely indebted to my supervisors Mr. Shanker Raj Joshi, Shanker Dev Campus and Mr. Prakash Singh, Associate Professor, Shanker Dev Campus for their efficient guidelines and undertaking of the supervision of my entire research work. This form of the report is the result of their continuous encouragement, many helpful suggestions and comments.

I am very much grateful to Dr. Kamal Deep Dhakal, Reader and Campus Chief, and my other respected teachers of Shanker Dev Campus for providing invaluable suggestions information and comments.

I wish to express my appreciation to all persons of Grand Hotel Private Limited who not only provide data but also provided me valuable guidelines and information.

Similarly, I am thankful to my friends who directly or indirectly helped me during thesis writing. I am equally grateful to my family members who encouraged and helped me for my study.

Lastly, my thanks goes to Mr. Deepak Basnet of Resunga Computer Service, Kirtipur for his computer help.

February, 2009

Hurmat Kumar Pokharel

# CONTENTS

	<b>Page No.</b>
Recommendation Letter	i
Viva-Voce Sheet	ii
Declaration	iii
Acknowledgements	iv
Contents	v
List of Tables	ix
List of Figures	x
Abbreviations	xi
<b>CHAPTER-I: INTRODUCTION</b>	<b>1-12</b>
1.1 General Background	<b>Error! Bookmark not defined.</b>
1.1.1 Evolution of Hotel and Tourism Business in Nepal	<b>Error! Bookmark not defined.</b>
1.1.2 Introduction of Hotel Grand	<b>Error! Bookmark not defined.</b>
1.2 Statement of the Problem	<b>Error! Bookmark not defined.</b>
1.3 Objective of the Study	<b>Error! Bookmark not defined.</b>
1.4 Rationale of the Study	<b>Error! Bookmark not defined.</b>
1.5 Limitation of the Study	<b>Error! Bookmark not defined.</b>
1.6.Organization of the Study	<b>Error! Bookmark not defined.</b>
<b>CHAPTER-II: REVIEW OF LITERATURE</b>	<b>13-76</b>
2.1 Conceptual/Theoretical Review	<b>Error! Bookmark not defined.</b>
2.1.1 Profit	<b>Error! Bookmark not defined.</b>
2.1.2 Planning	<b>Error! Bookmark not defined.</b>
2.1.3 Profit Planning	<b>Error! Bookmark not defined.</b>
2.1.4 Importance of Profit Planning	18
2.1.5 Disadvantage of Profit Planning	<b>Error! Bookmark not defined.</b>
2.1.6 Critical Feature of Profit Planning	<b>Error! Bookmark not defined.</b>
2.1.7 Development of Profit Planning	<b>Error! Bookmark not defined.</b>

- 2.1.7.1 Sales Plan **Error! Bookmark not defined.**
- 2.1.7.2 Production Plan **Error! Bookmark not defined.**
- 2.1.7.3 The Material and Parts <sup>v</sup>udget **Error! Bookmark not defined.**
- 2.1.7.4 Material and Parts Inventory Policies **Error! Bookmark not defined.**
- 2.1.7.5 Purchase Budget **Error! Bookmark not defined.**
- 2.1.7.6 Direct Labor Budget **Error! Bookmark not defined.**
- 2.1.7.7 Manufacturing Overhead Budget **Error! Bookmark not defined.**
- 2.1.7.8 Inventory Budgets **Error! Bookmark not defined.**
- 2.1.7.9 Distribution and Promotional Expenses Budget **Error! Bookmark not defined.**
- 2.1.7.10 Administrative Expenses Budget **Error! Bookmark not defined.**
- 2.1.7.11 Capital Addition Budget **Error! Bookmark not defined.**
- 2.1.7.12 Cash Flow Budget **Error! Bookmark not defined.**
- 2.1.8 Fundamental of PPC **Error! Bookmark not defined.**
  - 2.1.8.1 Managerial Involvement and Commitment **Error! Bookmark not defined.**
  - 2.1.8.2 Organizational Adaptation **Error! Bookmark not defined.**
  - 2.1.8.3 Responsibility Accounting **Error! Bookmark not defined.**
  - 2.1.8.4 Full Communication **Error! Bookmark not defined.**
  - 2.1.8.5 Realistic Expectation **Error! Bookmark not defined.**
  - 2.1.8.6 Time Dimension **Error! Bookmark not defined.**
  - 2.1.8.7 Flexible Application **Error! Bookmark not defined.**
  - 2.1.8.8 Individual and Group Recognition **Error! Bookmark not defined.**
  - 2.1.8.9 Follow-Up **Error! Bookmark not defined.**
  - 2.1.8.10 Principle of Exception **Error! Bookmark not defined.**

2.1.8.11 Activity Costing	<b>Error! Bookmark not defined.</b>
2.1.8.12 Zero-base Budgeting	<b>Error! Bookmark not defined.</b>
2.1.9 Foundation for Profit Planning	<b>Error! Bookmark not defined.</b>
2.1.10 Profit Planning Process	<b>Error! Bookmark not defined.</b>
2.1.11 Budgeting: A Tool of Profit Planning	<b>Error! Bookmark not defined.</b>
2.1.12 Components of Typical Profit Planning	<b>Error! Bookmark not defined.</b>
2.1.13 Management and Planning	<b>Error! Bookmark not defined.</b>
2.1.14 Forecasting	<b>Error! Bookmark not defined.</b>
2.1.15 Planning vs. Forecasting	vi <b>Error! Bookmark not defined.</b>
2.1.16 Levels of Planning	<b>Error! Bookmark not defined.</b>
2.1.17 Medium-Term Planning	<b>Error! Bookmark not defined.</b>
2.1.18 Corporate Planning	<b>Error! Bookmark not defined.</b>
2.1.19 Corporate Planning in Nepal	<b>Error! Bookmark not defined.</b>
2.1.20 Implementation of Profit Plan	<b>Error! Bookmark not defined.</b>
2.1.20.1 Completion of the Annual Profit Plan	<b>Error! Bookmark not defined.</b>
2.1.20.2 Implementation of Profit Plan	<b>Error! Bookmark not defined.</b>
2.1.21 Performance Evaluation	<b>Error! Bookmark not defined.</b>
2.1.21.1 Essential Feature for Performance Reports	<b>Error! Bookmark not defined.</b>
2.2 Empirical Literature	<b>Error! Bookmark not defined.</b>
2.3 Research Gap	<b>Error! Bookmark not defined.</b>
<b>CHAPTER-III: RESEARCH METHODOLOGY</b>	<b>77-78</b>
3.1 Research Design	<b>Error! Bookmark not defined.</b>
3.2 The Population and the Sample	<b>Error! Bookmark not defined.</b>
3.3 Period Covered	<b>Error! Bookmark not defined.</b>
3.4 Nature and Sources of Data	<b>Error! Bookmark not defined.</b>
3.5 Tools Used	<b>Error! Bookmark not defined.</b>



3.6 Research Variables **Error! Bookmark not defined.**

## **CHAPTER-IV: DATA PRESENTATION AND ANALYSIS 79-107**

4.1 Profit Analysis **Error! Bookmark not defined.**

4.1.1 Relationship Between Financial Expenses and Net Profit Before Provision

**Error! Bookmark not defined.**

4.1.2 Relationship Between Provision and Net Profit After Tax, (NPAT) **Error!**

**Bookmark not defined.**

4.1.3 Inventory Turnover and Gross Profit Margin **Error! Bookmark not**

**defined.**

4.1.4 Cost Volume Profit Analysis **Error! Bookmark not defined.**

4.2 Analysis of Budget **Error! Bookmark not defined.**

4.2.1 Sales Budget on Achievement **Error! Bookmark not defined.**

4.2.2 Budgeted and Actual Sales for <sup>vii</sup> tic Customer **Error! Bookmark**

**not defined.**

4.2.3 Budgeted and Actual Sales for Foreigner Customers **Error! Bookmark**

**not defined.**

4.2.4 Actual Sales by Territories **Error! Bookmark not defined.**

4.2.5 Expenses Budget **Error! Bookmark not defined.**

4.2.6 Expenses Trend **Error! Bookmark not defined.**

4.3 Parametric Test **Error! Bookmark not defined.**

4.3.1 Hypothesis Testing **Error! Bookmark not defined.**

4.3.2 Regression Analysis **Error! Bookmark not defined.**

4.3.3 Correlation Analysis **Error! Bookmark not defined.**

4.4 Major Findings **Error! Bookmark not defined.**

## **CHAPTER-V: SUMMARY, CONCLUSION AND**

### **RECOMMENDATIONS**

**108-111**

5.1 Summary **Error! Bookmark not defined.**

5.2 Conclusion **Error! Bookmark not defined.**

5.3 Recommendation **Error! Bookmark not defined.**

**BIBLIOGRAPHY**

Error! Bookmark not defined.[-114](#)

**APPENDICES (1-8)**

viii

## LIST OF TABLES

	Page No.
Table: 1: Relationship Between Profit and Sales	<b>Error! Bookmark not defined.</b>
Table: 2: Relationship Between Financial Expenses and Net Profit Before Provision	<b>Error! Bookmark not defined.</b>
Table: 3: Relationship Between Provision and Net Profit After Tax	<b>Error! Bookmark not defined.</b>
Table: 4: Inventory Turnover	<b>Error! Bookmark not defined.</b>
Table: 5: Cost Volume - Profit (CVP) Analysis	<b>Error! Bookmark not defined.</b>
Table: 6: Sales Plan and Achievement	<b>Error! Bookmark not defined.</b>
Table: 7: Correlation, Mean, SD and CV	<b>Error! Bookmark not defined.</b>
Table: 8: Budgeted Domestic Sales and Actual Sales	<b>Error! Bookmark not defined.</b>
Table: 9: Correlation, Mean, SD and CV	<b>Error! Bookmark not defined.</b>
Table: 10: Fitting Straight Line Trend By Least Square Method	<b>Error! Bookmark not defined.</b>
Table: 11: Budgeted and Actual Sales for Foreigner Customers	<b>Error! Bookmark not defined.</b>
Table: 12: Correlation, Mean, SD and CV	<b>Error! Bookmark not defined.</b>
Table: 13: Actual Sales by Territories	<b>Error! Bookmark not defined.</b>
Table: 14: Budgeted Cost of Goods Sold Actual Cost of Goods Sold	<b>Error! Bookmark not defined.</b>
Table: 15: Correlation, Mean, SD and CV	<b>Error! Bookmark not defined.</b>

Table: 16: Fitting Straight Line Trend by Least Square Method    **Error!**  
**Bookmark not defined.**

Table: 17: Expenses Trend of GHPL    **Error! Bookmark not defined.**

## LIST OF FIGURES

	<b>Page No.</b>
Fig.: 1: Relationship Between Profit and Sales	<b>Error! Bookmark not defined.</b>
Fig.: 2: Financial Expenses and Net Profit Before Provision	<b>Error! Bookmark not defined.</b>
Fig.: 3: Provision and Net Profit After Tax	<b>Error! Bookmark not defined.</b>
Fig.: 4: Sales Target and Sales Achievement	<b>Error! Bookmark not defined.</b>
Fig.: 5: Budgeted Domestic Sales and Actual Domestic Sales	<b>Error! Bookmark not defined.</b>
Fig.: 6: Budgeted and Actual Sales for Foreigners	<b>Error! Bookmark not defined.</b>
Fig.: 7: Actual Sales by Territories	<b>Error! Bookmark not defined.</b>
Fig.: 8: Budgeted Cost and Actual Cost	<b>Error! Bookmark not defined.</b>
Fig.: 9: Expenses Trend of GHPL	<b>Error! Bookmark not defined.</b>

## ABBREVIATIONS

AD	:	Anno-Domine
CPV	:	Cost Volume Profit Analysis.
FDI	:	Foreign Direct Investment
FITTA	:	Foreign Investment and Technology Transfer Act
GDP	:	Gross Domestic Production
GHPL	:	Grand Hotel Private Limited
HACCP	:	Hazard Analysis and Critical Control Point
JIT	:	Just in Time
Ltd.	:	Limited
MBO	:	Management by Objective
PPC	:	Profit Planning and Control
Pvt.	:	Private