A STUDY ON

FUNDS FLOW ANALYSIS ON HP GAS KARIMNAGAR

STUDENT STUDY PROJECT SUBMITTED TO THE COMMISSIONER OF COLLEGIATE EDUCATION, Hyderabad

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INTRODUCTION

The funds flow statement is a statement, which shows the movement of funds and is a report of the financial operations of the business undertaking. It indicates various means by which funds were obtained during a particular period and the ways in which these funds were employed. In simple words, it is a statement of sources and application of funds.

Definition of Fund

Fund means working capital. If current assets of company is more than current liability of business, it is called working capital and working capital's other name is Fund.

Fund = Working capital = Current assets – Current liability

Definition of Flow of Fund

Flow of fund means movement of fund. I take the example of air; we can feel its movement or flow of air. Same thing is happen with fund, due to the activity of business fund is transfer from one asset to another assets. If fixed assets are converted into current asset or fixed liability is converted into current liabilities, these are the flow of fund. But if current assets are changed with current assets or current assets are changed into current liabilities, then, there is no flow of fund because there is no change working capital. Suppose, we get the money from debtor, this is not flow of fund because, working capital is not changed. Both items of current assets and when current assets change into current assets, there will not be change in working capital. Flow of Fund = Fixed asset changes into current asset or current asset changes into fixed assets

Or

Fixed liability changes into current liability or current liability changes into fixed liability.

Definition of fund flow statement

Fund flow statement is a statement which shows the inflow and out flow of funds between two dates of balance sheet. So, it is known as the statement of changes in financial position. We all know that balance sheet shows our financial position and inflow and outflow of fund affects it. So, in company level business, it is very necessary to prepare fund flow statement to know what the sources are and what are applications of fund between two dates of balance sheet. Generally, it is prepare after getting two year balance sheet.

According to Prof. Anthony, “The funds flow statement describes the sources from which additional funds were derived and the use of which these funds were put.” For making of fund flow statement. It is very necessary to make statement of changes of working capital. Because net increase in working capital is use of fund and net decrease in working capital is source of fund. So, it is duty of accountant to make statement of changes of working capital. Making of statement of changes working capital is very easy and simple.

We take two balance sheets, one is current year balance sheet and other is previous year balance sheet. Then we separate current assets and current liabilities.

If current assets are more than previous year current assets, it means increase in working capital.

If current assets are less than previous year current assets, it means decrease in working capital. Because, relationship between current assets and working capital is positive and if any changes in current assets, working capital will change in same direction.

If current liabilities are more than previous year current liabilities, it means decrease in working capital.

If current liabilities are less than previous year current liabilities, it means increase in working capital. Relationship between working capital and current liabilities are inverse.

FUNDS FLOW STATEMENT

A statement showing money coming into and going out of a business in a particular period of time, where this money came from, and what it was used for. Two types of this statement are the source and application of funds statement and the cash flow statement. After ascertaining the increase or decrease in net working capital and funds or loss from operation, the next step is to prepare the funds flow statement. The purpose of preparing the funds flow statement is to know about the funds obtained and used by the firms. The funds flow statement has two sides. On the left hand side, the sources of funds are shown and on the right hand side, the uses or applications of funds are shown.

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NEED OF THE STUDY

The Funds flow statement explains the various sources from which funds are raised and uses to which funds are put. It shows the change in assets and liabilities from the end of one period of time to the end of another period of time (i.e., between two Balance Sheet dates). The current study of funds flow statement at Bhargavee Gas Lines is an important study which can helps in knowing the financial position of the company. The study selected especially the flow of funds at Bhargavee gas lines, Karimnagar because it reveals the cash inflow and out flow position of the company.

The study is needed to know the financial position of an organization can be evaluated and to know how the funds are allocated to the projects in the organization and the flow of funds in the organizations. It is important to analyze the effect of changes in working capital in the funds flow statement.

OBJECTIVE OF THE STUDY

1. To know the concept of funds and flow.
2. To understand the elements that should add and deduct from the closing balance of P&L A/c.
3. To know the benefits from preparation of funds flow statement.
4. To identify the application of Funds of the Company.

5. To know the funds are being utilized.
6. To know the liquidity position of the Company.
7. To suggest a good method of fund allocation.

SCOPE OF THE STUDY

The scope of this project is limited to understanding changes in working capital and thereby calculating the flow of funds of the company during the years from 2017-2021. It includes only Bhargavee gas lines (HP dealer), Karimnagar. It does not include any other dealers of HP.

RESEARCH METHODOLOGY

It means the procedures used in making systematic observations or otherwise obtaining data, evidence, or information as part of a research project or study

PRIMARY DATA

Primary data is the data gathered for a specific purpose or for a specific research report for the first time or Data observed or collected directly from first-hand experience.

Primary data will be through regular interaction with the officials of Bhargavee Gas Lines (HP Gas). Ration relationships will be established basing on the theoretical literature available from the “Finance” text books.

SECONDARY DATA

Secondary data is the data that have been already collected by and readily available from other sources. Such data are cheaper and more quickly obtainable than the primary data and also may be available when primary data can not be obtained at all.

Annual reports of the Bhargavee Gas Lines (HP Gas) 2016-2020. Financial statements of the Bhargavee Gas Lines (HP Gas). Collectively the relevant information for the standard text books and Financial magazines. Required information is collected from lecturers, friends.

LIMITATIONS OF THE STUDY

- The present study is only for 5 of the years i.e., from the financial year 2016-2020.
- The analysis is based on the data is provided by the Companies i.e. Annual reports of the Company.
- Classification of the current and fixed assets / liabilities is based on the Volatility of the funds.
- As the study is limited to the secondary data, it may not be used for the basis for the decision making.

PRODUCTS OF BHARGAVEE GAS LINES FROM 2009

- Gas stoves
- Rubber tubes
- Lighters
- Cylinders
- Regulators
- Pressure cookers
- Tea powder etc.,

From 2011, it has created an online booking service for the customers. It supplies the gas cylinders like

- 14.2 domestic
- 19 kg commercial and industrial

AWARDS AND SERVICES OF BHARGAVEE GAS LINES FOR THEIR CUSTOMERS:

- In the year 1999, in the “Deepam LPG Connections” program 11000 connectiona were allotted for the dwakra groups when there is TDP government.
- 1st supplier award for the Deepam LPG Connection taken by the Sumitha Dawra
- Free installation of 447 connections for the Madhyahna Bhijana Padhakam by the approval of HPCL in the year 2003
- “Oil conservation fortnight” mega program is conducted every year from 1st January to 15th January for the customers on the hands of Dist. Collector, Civil Supply officer, Consumer forum President and area manager of HPCL.

Address ofBhargavee Gas Lines

H.No. 9-1-25, Collectorate Road,

Karimnagar,Andhra Pradesh,505001.

Phone No: 986624242

Phone No: 2240751

MEANING OF FUNDS

According to the international Accounting standard No. 7, the term Fund generally refers to cash and cash equivalents, or to working capital, of these, the last definition of the term (i.e., working capital) is by far the most common definition of fund.

There are also two concepts of working capital – Gross concept and Net concept. Gross working capital refers to the firm’s investment in current assets. Net working capital means, excess of current assets over current liabilities. It is in the later sense in which the term funds is generally used.

According to the American Institute of Certified public Accounts (AICPA),the meaning of two terms current assets and current assets and current liabilities are as follows.

CURRENT ASSETS:

The term current asset's includes assets, which acquired with the intention of converting them into cash during the normal business operations of the firm.

CURRENT LIABILITIES:

The term current liabilities is used principally to designate such obligations whose liquidation is reasonably expected to require the use of assets classified as current asses in the same balance sheet or creating of other current liabilities or those expected to be satisfied with in a relatively short period of time usually one year (AICPA).

FUNDS FLOW:

The term flow means change, and therefore, the term Flow of funds means change in Funds or change in working capital. In other words, any increase or decrease in working capital means Glow of funds.

In business several transactions take place. Some of these transactions increase the fund while others decrease the funds. Some may not take any change in funds position. In case a transaction results in increase of funds, it will be termed as a source funds In the same way, decrease of funds would result as an application or use of funds.

FUNDS FLOW ANALYSIS

The Funds flow statement explains the various sources from which funds are raised and uses to which funds are put. It shows the change in assets and liabilities from the end of one period of time to the end of another period of time (i.e., between two Balance Sheet dates). An analysis of the Funds Flow Statement helps us in answering questions such as what is the amount of generated from Operation. How were the Fixed Assets of organization Financed? Whether the liquidity position of the organization increased etc

According to **R.N. Anthony,** "Fund Flow is a statement prepared to indicate the increase in cash resources and the utilization of resources of a business during the accounting period."

Purpose of funds flow statements

The utility of this statement can be measured on the basis of its contributions to the financial management. It generally serves the following purposes:-

(1) Analysis of Financial Position

The basic purpose of preparing the statement is to have a rich into the financial operations of the concern. It analyses how the funds were obtained and used in the past. In this sense, it is a valuable tool for the finance manager for analyzing the past and future plans of the firm and their impact on the liquidity. He can deduce the reasons for the imbalances in uses of funds in the past a take necessary corrective actions.

It is not an easy job to find the definite answerers to such questions because funds derived from a particular source are rarely used for a particular purpose. However, certain useful assumptions can often be made and reasonable conclusions are usually not difficult to arrive at.

(2) Evaluation of the Firm's Financing:

One important use of the statement is that it evaluates the firm' financing capacity. The analysis of sources of funds reveals how the firm's financed its development projects in the past i.e., from internal sources or from external sources. It also reveals the rate of growth of the firm.

(3) An Instrument for Allocation of Resources:

In modern large scale business, available funds are always short for expansion programmes and there is always a problem of allocation of resources. It is, therefore, a need of evolving an order of priorities for putting through their expansion programmes which are phased accordingly, and funds have to be arranged as different phases of programmes get into their stride.

The amount of funds to be available for these projects shall be estimated by the finance with the help of Funds Flow Statement. This prevents the business from becoming a helpless victim of unplanned action.

(4) A Tool of Communication to Outside World:

Funds Flow Statement helps in gathering the financial states of Business. It gives an insight into the evolution of the present financial position and gives answer to the problem 'where have our resources been moving. In the present world of credit financing, it provides a useful information to bankers, creditors, financial, it provides a useful information and government etc. regarding amount of loan required, its proposes, the terms of repayment an sources for repayment of loan etc. the financial manager gains a confidence born out of a study of Funds Flow Statement. In fact, it carries information regarding firm's financial policies to the outside world.

(5) Future Guide:

An analysis of Funds Flow Statements of several years reveals certain valuable information for the financial manager for planning the future financial requirements of the firm and their nature too i.e. Short term, long-term or midterm. The management can formulate its financial policies based on information gathered from the analysis of such statements. Financial manager can rearrange the firm's financing more effectively on the basis of such information along with the expected changes in trade p payables and the various accruals. In this way, it guides the management in arranging its financing more effectively.

OBJECTIVES OF FUNDS FLOW MANAGEMENT:

- An analysis of the flow of liquid funds can be very useful in making decisions concerning liquidity.
- A full understanding of a business's affairs requires the identification of the changes or movements in assets, liabilities and capital for a year, and the resultant effect on liquid resources. A profit & loss account or balance sheet does not specifically disclose this information.

- To show the manner in which the operations have been financed, and how financial resources they have been used.
- They provide useful guide to creditors & lenders.
- Various ways to improve the net working capital position can be decided.
- It focuses attention on resources available for capital investment.
- It is useful in deciding how fixed assets should be financed.
- It is useful in planning the retirement of debt.

PREPARATION OF FUNDS FLOW STATEMENT

The Funds Flow statement is prepared to reflect the changes in the financial position of an organization during a particular period. As such Balance Sheets of the organization at the beginning and end of the particular period are the basic documents that are needed for preparation of funds flow Statement. The Management Accountant may also consider additional information, which is available.

Care should be taken 10 ensure that those transactions that affect the flow of funds are included in the funds Flow Statement.

One aspect of the Balance Sheet is Reserves and Surplus. The increase in reserves and Surplus is dependent on whether or not the organization making Profits. While the P&L A/c gives us the answer to that question, all profit does not result in increase of funds. The impact of day to day operations has to be separately calculated. This is called "Funds from Operations" and it is separately shown as an individual item in the statement.

Funds flow statement is prepared through the following steps.

- Statement of changes in working capital.
- Funds from operations.
- Funds flow statement.

1. STATEMENT SHOWING CHANGES IN WORKING CAPITAL:

This statement follows the statement of Sources and Application of Funds. The primary purpose of the statement is to explain the net change in Working Capital, as arrived in the Funds flow Statement. While entering the effect of change in a current account on working capital, the following rules must be followed.

1. An increase in a current Asset means an increase in working Capital

2. A decrease in a Current Asset means a decrease in Working capital

3. An increase in a Current Liability means a decrease in Working Capital

4. Decrease in a Current Liability means an increase in Working Capital

PROFORMA OF STATEMENT SHOWING CHANGES IN WORKING CAPITAL

Particulars	**Beginning of the year**	**End of the Year**	**Working capital**	
			Increase	**Decrease**
	Rs.	**Rs**	**Rs.**	**Rs.**
Current Assets				
Cash in Hand	XXX	XXX	XXX	
Cash at Bank	XXX	XXX	XXX	
Hills Receivable	XXX	XXX		XXX
Sundry Debtors	XXX	XXX		XXX
Closing Stock	XXX	XXX	XXX	
Short term investments	XXX	XXX	XXX	
Prepaid Expenses	XXX	XXX	XXX	

Other Current Assets	XXX	XXX		XXX
Total	**XXX**	**XXX**		
Current Liabilities			XXX	XXX
Bills payable	XXX	XXX		XXX
Sundry creditors	XXX	XXX		XXX
Outstanding expenses	XXX	XXX		
Bank overdraft	XXX	XXX	XXX	XXX
Short term loans taken	XXX	XXX	XXX	
Proposed dividend	XXX	XXX		
Provision for tax	XXX	XXX	XXX	**XXX**
Other current liabilities	XXX	XXX		
Total	**XXX**	**XXX**	**XXX**	XXX
Working capital	**XXX**	**XXX**		
Net increase or decrease	**XXX**	**XXX**	XXX	
In working capital	**XXX**	**XXX**		

PROFORMA OF FUNDS FLOW STATEMENT

FUNDS FROM OPERATIONS

Funds from operations means the increase in funds on account of the operations carried on **b**y the organization in the given time. A business enters into a number of transactions which result in an inflow or outflow of funds.

Particulars	Rs	Rs
Closing Balance of P&L A/c		**XXX**
Add:		
Items debited to P&L A/c. not resulting in outflow of Fund		
i. Depreciation	XXX	
ii. Fictitious and Intangible Assets written off	XXX	
iii. Appropriation of Profits	XXX	
iv. Loss on sale of Fixed Assets / Investments	XXX	
v. Dividends paid and proposed	XXX	
vi. Provision for taxation	XXX	
vii. Any other item of similar nature	XXX	
	XXX	**XXX**
Less:		**XXX**
Items credited to P&L A/c not resulting in Inflow of funds		
i) Profit on sale of Fixed Assets / Investments	XXX	
ii) Appreciation in value of Fixed Assets/investments	XXX	
iii)Any excess appreciation made withdrawn	XXX	
iv) Dividends received	XXX	
v) Any other item of similar nature	XXX	
	XXX	**XXX**
Less: Opening Balance of P&L A/c (cr)		**XXX**
Funds from Operations		**XXX**

FUNDS FLOW STATEMENT

The format of the Funds flow statement is as follows.

SOURCES OF FUNDS	Rs.	APPLICATION OF FUNDS	Rs.

Issue of Share Capital	XXX	Redemption of Redeemable	XXX
Issue of Debentures	XXX	Preference Shares	XXX
Long term Loans raised	XXX	Redemption of Debentures	XXX
Sale of Long term investments	XXX	Repayment of long term Loans	XXX
Sale of fixed Assets	XXX	Purchase of Fixed Assets	XXX
Receipts from Partly paid shares called up		Purchase of Long term	XXX
	XXX	Investments	XXX
Funds from Operations	XXX	Funds lost in Operations	XXX
Non-trading Income	XXX	Non-trading Expenses	XXX
<u>Decrease</u> in Working Capital	XXX	Payment of Dividend	XXX
		Payment of Tax	XXX
		Increase in Working Capital	XXX
	XXX		**XXX**

ADJUSTMENTS:

1. Provision for taxation and tax paid

The treatment of Provision for taxation while preparing a Funds Flow statement depends upon the nature attributed to it by the Management Accountant. Provision for taxation can be treated as:

i) A Current Liability or

ii) An Appropriation of Profits

j). As a Current Liability:

In such circumstances, Provision for Taxation will appear as a Current liability in the statement of changes in working capital. It will not appear anywhere else in the solution. There is no need to prepare a provision for taxation account. The only relevant figures that arc important are the opening and closing balance of provision. Consequently Income Tax paid during the year should be ignored.

ii) As an Appropriation of Profits:

Provision for Taxation does not result in any flow of funds. It is only a book entry. If provision for taxation is treated as an appropriation of Profits, it must be added back to Profit at the end of year while calculating Funds from Operations. Income tax paid during the year will treated as an application of funds in the statement of sources and Application of funds. Provision for taxation if treated as Appropriation of Profit will not appear in the statement of changes in working capital.

Where the provision made during the year is not clearly given, it will have to be ascertained by preparing a Provision on Taxation Account. Ii is always presumed that Provision for Tax made during the previous year is paid in the current year, unless Income Tax paid during the year is specifically.

In the absence of specific instructions, it is always preferable to consider provision for Taxation as a Current Liability.

2. Proposed dividend:

The treatment of proposed dividend is also subject to the nature attributed to it. It can either be a Current Liability or an appropriation of profits.

i) **As a Current Liability:**

In such circumstances, proposed dividend will appear as a current Liability in the statement of changes in working capital. No further adjustment is required. Dividend paid during the year should be ignored.

ii) As an appropriation of Profits:

In such a case, proposed dividends must be added back to the balance in P & L A/c at the end of the year while calculating Funds from Operations. The dividends paid during year will be shown as an application in the statement of sources and application of funds.

Dividend Proposed in the previous year is assumed as paid during the year, unless Dividend paid during the year is specifically mentioned.

In order to decide upon the nature of proposed dividend, it has to be seen whether the shareholders have formally passed the resolution pertaining to proposed dividend. Until the resolution is passed, dividends proposed are to be treated as an appropriation of profits On passing of the resolution proposed dividend can be treated as a current liability However, in the absence of information and specific guidelines, it is preferable to treat proposed dividends as a Current liability.

3. Interim dividend:

Interim dividend is the dividend declared and paid between two Annual General Meetings (AGMs). No separate treatment is required for interim dividends if proposed dividend is treated as current liability. It does not form part of any statement and can be ignored, proposed dividend is treated as an appropriation of profits, and then interim dividend should be added back to the balance in P&I A/c while ascertaining Funds from Operations. It is also shown as an application of funds in the Funds Flow Statement.

4. Depreciation, purchase and sale of fixed assets

Depreciation is an expense that does not result in any flow of funds. Hence, it must be added back to the balance in P & L A/c while calculating Funds from Operations. It does not directly affect the statement of source and application of funds. However, it provides useful information for ascertaining the extent of purchase / sales of fixed assets.

5. Provision against current assets:

There are two ways in which provisions against current assets can be presented

1. Current .Assets against which provision has been made is taken in the Statement of changes in Working Capital at their gross value. Provisions against the current asset are shown as a Current liability in the same statement.
2. Provisions made are adjusted against the gross value of Current Assets and Current Assets are shown in the Statement of changes in Working Capital at their net values.

The first method is preferred from the angle of presentation and disclosure.

6. Income from dividends

Net dividend (i.e. gross dividend less tax deducted at source) should be taken as a source of funds. Alternatively, gross dividend can be taken as source, but tax deducted at source should be shown separately as a current asset in the statement of changes in working capital.

If any investment has been purchased or sold cum-dividend. The amount of dividend should be excluded from the agreed value of investments, and added to other income received as dividend.

If gross amount of dividends receivable has been debited to Dividends receivable A/c and Credited to Dividends A/c. then Dividends Receivable can be shown as a Current Asset in the Statement of Changes in Working capital in such a case Dividends received during the year should be ignored. It should not be taken as a source of Funds.

DATA ANALYSIS & INTERPRETATION

STATEMENT SHOWING THE CHANGES IN WORKING CAPITAL FOR THE YEARS 2016-16

PARTICULARS	2016	2017	INCREASE Rs	DECREASE Rs.
CURRENT ASSETS				
Inventories	12,579.22	16,622.28	4,043.06	
Sundry Debtors	2,437.34	2,654.37	217.03	
Cash and Bank Balance	238.88	75.49		-183.39
Total Current Assets	15,255.44	19,352.14	4,096.70	
CURRENT LIABILITIES				
Oher Liabilities	16,707.52	20,997.47		4,289.95
Provisions	2,105.21	1,804.76	-300.45	
Total CL & Provisions	18,812.73	22,802.23		3,989.50
Networking capital (a-b)	-3,557.29	-3,450.09		
Increase working capital	107.20			
TOTAL	-3,450.09	-3,450.09	8,056.34	8116.06

FUNDS FROM OPERATIONS AS ON 31-3-2017

PARTICULARS		AMOUNT
CLOSING BALANCE OF P&L ACCOUNT		**1702.04**
(Add): non operating expenses Dr. to p&l account :		
1. Depreciation	1498.12	
2. Provision for doubtful debts		
3. Loss on sale of assets		
4. Provision for taxation	334.11	
5. Dividends paid	474.08	
Total		2306.31
		4008.35
(Less): non operating incomes Cr. To p&l account		
I. Profit on sale of investments	-	
II. Miscellaneous income	1243.67	1243.67
(LESS): OPENING BALANCE OF P&L ACCOUNT		1476.48
FUNDS FROM OPERATIONS		1288.2

FUNDS FLOW STATEMENT AS ON 2017

SOURCES OF FUNDS	Rs.	APPLICATION OF FUNDS	Rs.
Issue of Share Capital	339.01	Repayment of long term Loans	9475.42
Long term Loans raised	7,234.32	Non-trading Expenses	522.58
Sale of Long term investments		Increase in working capital	107.20
Funds from operations	1288.2		
Non-trading Income	1243.67		
	10105.2		**10105.2**

INTERPRETATION

- From the analysis of changes in working capital it is known that current assets are more than the current liabilities and there is an increase in the net working capital in the year 2016-2017.
- From the analyzing the funds from operations, there is a gain from the operations in the organization i.e., 1288.2.

STATEMENT SHOWING THE CHANGES IN WORKING CAPITAL FOR THE YEARS 2017-17

PARTICULARS	2017	2018	INCREASE Rs	DECREASE Rs.
CURRENT ASSETS				

Inventories	16,622.28	19,454.53	2,832.25	
Sundry Debtors	2,654.37	3,565.16	910.79	
Cash and Bank Balance	75.49	226.38	150.89	
Total Current Assets	19,352.14	23,246.07	3,893.93	
CURRENT LIABILITIES				
Other Liabilities	20,997.47	28,524.19		7,526.72
Provisions	1,804.76	1,983.59		178.83
Total CL & Provisions	22,802.23	30,507.78		7,705.55
Networking capital (a-b)	-3,450.09	-7,261.71		
Decrease working capital		3,811.62		
TOTAL	-3,450.09	-3,450.09	7,787.86	15411.1

FUNDS FROM OPERATIONS AS ON 31-3-2018

PARTICULARS		AMOUNT
CLOSING BALANCE OF P&L ACCOUNT		**175.96**
(Add): non operating expenses Dr. to p&l account :		

1. Depreciation	1922.15	
2. Provision for doubtful debts	-	
3. Loss on sale of assets	-	
4. Provision for taxation	315.78	
5. Dividends paid	287.83	
Total		2525.76
		2701.72
(Less): non operating incomes Cr. To p&l account		
III. Profit on sale of investments	-	
IV. Miscellaneous income	1043.69	1043.69
(LESS): OPENING BALANCE OF P&L ACCOUNT		**1702.04**
FUNDS LOST IN OPERATIONS		44.01

FUNDS FLOW STATEMENT AS ON 2018

SOURCES OF FUNDS	Rs.	APPLICATION OF FUNDS	Rs.
Issue of Share Capital	339.01	Repayment of long term Loans	15349.32
Long term Loans raised	12,198.86	Non-trading Expenses	1999.85
Sale of Long term investments			

Decrease in working capital	3,811.62	Funds lost in operations	44.01
Non-trading Income	1043.69		
	17393.18		**17393.18**

INTERPRETATION

- From the analysis of changes in working capital it is known that current assets are more than the current liabilities and there is a decrease in the net working capital in the year 2017-2018.
- From the analyzing the funds in operations, there is a loss in the operations in the organization i.e., 44.01.

STATEMENT SHOWING THE CHANGES IN WORKING CAPITAL FOR THE YEARS 2018-18

PARTICULARS	2018	2019	INCREASE Rs	DECREASE Rs.
CURRENT ASSETS				
Inventories	19,454.53	16,438.70		-3,015.83
Sundry Debtors	3,565.16	4,935.04	1,369.88	
Cash and Bank Balance	226.38	147.13		-79.25
Total Current Assets	23,246.07	21,520.87		-1,725.20
CURRENT LIABILITIES				

Other Liabilities	28,524.19	27,760.56	-763.63	
Provisions	1,983.59	2,299.50		315.91
Total CL & Provisions	30,507.78	30,060.06	-447.72	
Networking capital (a-b)	-7,261.71	-8,539.19		
Decrease in working capital		1,277.48		
TOTAL	-7,261.71	1,277.48	158.53	-4,504.37

FUNDS FROM OPERATIONS AS ON 31-3-2019

PARTICULARS		**AMOUNT**
CLOSING BALANCE OF P&L ACCOUNT		**500.49**
(Add): non operating expenses Dr. to p&l account :		
1. Depreciation	2364.66	
2. Provision for doubtful debts		
3. Loss on sale of assets	-	
4. Provision for taxation	226.53	
5. Dividends paid	287.83	
Total		2879.02
		3379.51

(Less): non operating incomes Cr. To p&l account		
V. Profit on sale of investments		
VI. Miscellaneous income	1453.58	1453.58
(LESS): OPENING BALANCE OF P&L ACCOUNT		**175.96**
FUNDS FROM OPERATIONS		1749.97

FUNDS FLOW STATEMENT AS ON 2019

SOURCES OF FUNDS	Rs.	APPLICATION OF FUNDS	Rs.
Issue of Share Capital	339.01	Repayment of long term Loans	18590.62
Long term Loans raised	16,375.36	Non-trading Expenses	2604.78
Funds from operations	1749.97		
Decrease in working capital	1,277.48		
Non-trading Income	1453.58		
	21195.4		**21195.4**

INTERPRETATION

- From the analysis of changes in working capital it is known that current assets are more than the current liabilities and there is a decrease in the net working capital in the year 2018-2019.

- From the analyzing the funds in operations, there is a gain from the operations in the organization i.e., 1749.97.

STATEMENT SHOWING THE CHANGES IN WORKING CAPITAL FOR THE YEARS 2019-19

PARTICULARS	2019	2020	INCREASE Rs	DECREASE Rs.
CURRENT ASSETS				
Inventories	16,438.70	18,775.41	2,336.71	
Sundry Debtors	4,935.04	5,465.95	530.91	
Cash and Bank Balance	147.13	34.71		-112.42
Total Current Assets	21,520.87	24,276.07	2,755.20	
CURRENT LIABILITIES				
Other Liabilities	27,760.56	28,306.24		545.68
Provisions	2,299.50	2,329.64		30.14
Total CL & Provisions	30,060.06	30,635.88		575.82
Networking capital (a-b)	-8,539.19	-6,359.81		
Increase in working capital	2,179.38			
TOTAL	-6,359.81	-6,359.81	5,622.82	1039.22

FUNDS FROM OPERATIONS AS ON 31-3-2020

PARTICULARS		AMOUNT
CLOSING BALANCE OF P&L ACCOUNT		**1079.62**
(Add): non operating expenses Dr. to p&l account :		
1. Depreciation	3010.69	
2. Provision for doubtful debts	-	
3. Loss on sale of assets	-	
4. Provision for taxation	-563.94	
5. Dividends paid	524.87	
Total		2971.62
		4051.24
(Less): non operating incomes Cr. To p&l account		
VII. Profit on sale of investments		
VIII. Miscellaneous income	1463.12	1463.12
(LESS): OPENING BALANCE OF P&L ACCOUNT		**500.49**
FUNDS FROM OPERATIONS		2087.63

FUNDS FLOW STATEMENT AS ON 2020

SOURCES OF FUNDS	Rs.	APPLICATION OF FUNDS	Rs.

Issue of Share Capital	339.01	Repayment of long term Loans	11544.61
Long term Loans raised	11,944.35	Non-trading Expenses	2110.12
Funds from operations	2087.63	Increase in working capital	2,179.38
Non-trading Income	1463.12		
	15834.11		**15834.11**

INTERPRETATION

- From the analysis of changes in working capital it is known that current assets are more than the current liabilities and there is an increase in the net working capital in the year 2019-2020.
- From the analyzing the funds in operations, there is a gain from the operations in the organization i.e., 2087.63.

STATEMENT SHOWING THE CHANGES IN WORKING CAPITAL FOR THE YEARS 2020-20

PARTICULARS	2020	2021	INCREASE Rs	DECREASE Rs.
CURRENT ASSETS				
Inventories	9,116.25	12,579.22	3,462.97	
Sundry Debtors	2,491.96	2,437.34		54.62
Cash and Bank Balance	618.83	238.88		379.95

Total Current Assets	**12,227.04**	15,255.44	3,028.40	
CURRENT LIABILITIES				
Oher Liabilities	13,269.32	16,707.52		3,438.20
Provisions	1,237.07	2,105.21		868.14
Total CL & Provisions	**14,506.39**	18,812.73		4,306.34
Networking capital (a-b)	-2,279.35	-3,557.29		
Decrease working capital		1,277.94	-	1277.94
TOTAL	3,557.29	3,557.29	6,491.37	8178.11

FUNDS FROM OPERATIONS AS ON 31-3-2021

PARTICULARS		**AMOUNT**
CLOSING BALANCE OF P&L ACCOUNT		1476.48
(Add): non operating expenses Dr. to p&l account :		
1. Depreciation	1250.54	
2. Provision for doubtful debts	-	
3. Loss on sale of assets	-	
4. Provision for taxation	225.89	
5. Dividends paid	406.35	

Total		1,882.78
		3359.3
(Less): non operating incomes Cr. To p&l account		
IX. Profit on sale of investments	-	
X. Miscellaneous income	883.67	883.67
(LESS): OPENING BALANCE OF P&L ACCOUNT		757.32
FUNDS FROM OPERATIONS		1718.27

FUNDS FLOW STATEMENT AS ON 2021

SOURCES OF FUNDS	Rs.	APPLICATION OF FUNDS	Rs.
Issue of Share Capital	339.01	Repayment of long term Loans	9866.74
Long term Loans raised	5,831.86	Non-trading Expenses	1138.01
Sale of Long term investments			
Funds from operations	1718.27		
Non-trading Income	1837.67		
Decrease in working capital	1,277.94		
	11004.75		**11004.75**

INTERPRETATION

- From the analysis of changes in working capital it is known that current assets are more than the current liabilities and there is an decrease in the net working capital in the year 2020-2021.
- From the analyzing the funds from operations, there is a gain from the operations in the organization i.e., 1718.27.

FINDINGS

1. It is observed that there is a decrease in the net working capital in the years 2016, 2018 & 2019 i.e, Rs. 1,277.94 crs, Rs. 3,811.62 Crs and Rs. 1,277.48 crs respectively.
2. There is an increase in the net working capital in the years 2017 and 2020 i.e., Rs. 107.20 crs and Rs. 2,179.38 crs respectively.
3. In the years 2016, 2017, 2019 and 2020 company is gaining the more percentage of funds from operations and in the years 2018 it is getting loss from the operations.
4. The overall flow of funds in Bhargavee gas lines is very good.
5. There is a loss from the operations in the organization i.e., Rs. 44.01 crs in the year 2018.
6. From the analysis of changes in working capital it is known that current assets are more than the current liabilities and there is an increase in the net working capital in the year 2020-2021.

CONCLUSIONS

1. Working capital of Bhargavee Gas Lines is in fluctuating during the study period.
2. Funds from operations are also in fluctuating trend because the current assets and current liabilities are in increasing trend. Working capital of the company is increasing year by year.
3. Liquidity is mostly concerned to the Financial Institutions because they should be in a position to repay all it Funds at any time.
4. The Company raises its funds from many sources viz., term Funds.
5. So, it has to maintain total liquidity regardless of the purposes of met in such liquidity so it has to maintain good liquidity ratio. The companies should improve as liquidity.

SUGGESTIONS

1. The company should design the optimal capital structure i.e. 2:1 which means the equity is to be double when comparing with debt in the financing activities in order to increase the credit worthiness of the creditors.
2. There must be a great attention of the industry in the areas of liquidity and profitability.
3. The increase in the working capital has to be reduced for optimum utilization of scarce resources, like raw materials and loose tools.
4. The progress achieved by the organization up to now is more significant and should continue with it.
5. It is suggested that the Bhargavee gas lines should raise the funds to the extent required or It should invest all the available long term funds at a higher rate if return investment advances.
6. The inflow and the outflow of the funds must be properly maintained.

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A STUDY ON

CUSTOMER SATISFACTION ON ITC PACKED FOOD-

WITH REFERENCE TO BINGO CHIPS

KARIMNAGAR

STUDENT STUDY PROJECT SUBMITTED TO THE COMMISSIONER OF COLLEGIATE EDUCATION, Hyderabad

Under the
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DECEMBER, 2021

INTRODUCTION

Consumer decision is based on social, cultural, personal and psychological factors. Consumer's behavior change as it is influenced by the buyer's characteristics and buyer's decision. Buyer's character is also influenced by the factors.

1. Cultural
2. Social
3. Personal
4. psychological

Cultural, Culture sub culture and social influence it.

Social, Reference group, family status

Personal, Age, economic changes, life styles, personality.

Psychological, Motivation, perception, belief, attitude, learning and buyer.

Customer satisfaction:

Customer satisfaction is the most common form of market research in business-to-business markets and is often connected to quality and production measurement, rather than as straight marketing based research.

Customer satisfaction is defined as "the number of customers, or percentage of total customers, whose reported experience with a firm, its products, or its services (ratings) exceeds specified satisfaction goals."

The first step in establishing a customer satisfaction program is having a well constructed definition for Customer Satisfaction and Customer Loyalty. A suggested definition of Customer Satisfaction and Customer Loyalty are presented below:

1. Customer Satisfaction is the result of a process.
2. Customer Satisfaction is a measurement or indicator of the degree to which customers or users of an organization's products or services are pleased with those products or services.
3. Customer Satisfaction is a comparison of expectations versus perception of experience.

NEED FOR THE STUDY

In the branded snacks market, to get down to basics, Frito Lay commands a share of 45%, followed by Haldiram's at 27% and ITC at 16%. The rest is divided between a handful of new entrants, wannabes and many regional players. Out of these ITC's Bingo is a new entrant in the market, which was launched in 2007. ITC has launched Bingo in a wide variety of flavors and formats, ranging from potato chips to finger snacks. Because of its different and catchy advertisements Bingo has created a buzz in the market.

Therefore, our aim was to find out the most popular flavor of Bingo among all the offerings.

We began our analysis by dividing people into those who like to eat snacks and those who don't. We based our study on the survey of people who like to eat snacks. This survey was conducted in Karimnagar. To collect the data we designed a questionnaire.

OBJECTIVES OF THE STUDY

1. To study the snacks industry as a part of food processing industry.
2. To study the Bingo Marketing Mix.
3. To analyze customer perceptions towards Bingo.
4. To examine customer level of satisfaction towards Bingo.
5. To offer suggestions if any.

RESEARCH METHODOLOGY

Research design is the basic framework which provides guidelines for the rest of research process. It specifies the methods for data collection and data analysis .In this research project we have used the survey method of data collection, to be more specific questionnaire method. We conducted a survey in Delhi. Sample size is 120. Respondents in the sample size were asked to fill the questionnaires to gather the data.

SCOPE OF THE STUDY

This study will help the company to understand the customer satisfaction of ITC product. So, the study will help the company to improve their services. This study will also reveal the customer's view about the company. This study is concerned and limited to Karimnagar only.

Type of Research:

EXPLORATORY RESEARCH: The study will be conducted to ascertain viability of Snacks productrs in Indian markets. Also the study will be conducted to ascertain major competitors in snack product market and consumer preference.

Sampling Plan: -

Sampling Method		Random sampling
Sample Size	:	120 prospects
Samplings Frame	:	Karimnagar
Primary Data	•	Responses through questionnaires Conducted personal interviews with the respondents
Secondary Data	:	Websites News papers

INDUSTRY PROFILE

Indian Food Processing Industry

Food processing industry in India is a sunrise sector that has gained prominence in the recent years. Availability of raw materials, changing lifestyles and relaxation in policies has given a considerable push to the industry's growth. This sector is among the few that serves as a vital link between the agriculture and industrial segments of the economy. Strengthening this link is of critical importance to improve the value of agricultural produce; ensure remunerative prices to farmers and at the same time create favorable demand for Indian agricultural products in the world market. A thrust to the food processing sector implies significant development of the agriculture sector and ensures value addition to it.

Ministry of Food Processing Industries

The Ministry was set up in 1998 and the industry segments that come under its purview are:

- Fruit & Vegetable processing (including freezing and dehydration)
- Grain Processing
- Processing of Fish (including canning and freezing)
- Processing and refrigeration of certain agricultural products, dairy products, poultry and eggs, meat and meat products

SWOT Analysis of Snacks Industry

Strengths

- Abundant availability of raw material
- Vast network of manufacturing facilities all over the country
- Vast domestic market
- Urbanisation

Weaknesses

- Low availability of adequate infrastructural facilities
- Lack of adequate quality control & testing methods as per international standards
- Inefficient supply chain due to a large number of intermediaries
- High requirement of working capital

Opportunities

- Rising income levels and changing consumption patterns
- Favourable demographic profile and changing lifestyles
- Integration of development in contemporary technologies such as electronics, material science, bio-technology etc. offer vast scope for rapid improvement and progress
- Opening of global markets

Threats

- Affordability and cultural preferences of fresh food
- High inventory carrying cost
- High taxation
- High packaging cost
- Competition between national and regional players.

PROFILE OF ITC LTD

ITC LIMITED

A) Establishment:

Incorporated on 24 August 1910 as the Imperial Tobacco Company of India Limited, the company's name was changed to ITC Limited in 1974. Rated among the 'World's Best Big Companies' by Forbes magazine, ITC ranks third on all major profit parameters among India's private sector corporations. ITC employs over 20,000 people at more than 60 locations across India. It has a turnover of $3 billion.

B) Growth and Diversification:

ITC is one of India's foremost private sector companies with a market capitalization of nearly US $ 18 billion and a turnover of over US $ 4.75 billion. ITC is rated among the World's Best Big Companies, Asia's 'Fab 50' and the World's Most Reputable Companies by Forbes magazine, among India's Most Respected Companies by Business World and among India's Most Valuable Companies by Business Today. ITC also ranks among India's top 10 `Most Valuable (Company) Brands', in a study conducted by Brand Finance and published by the Economic Times.

ITC has a diversified presence in Cigarettes, Hotels, Paperboards & Specialty Papers, Packaging, Agri-Business, Packaged Foods & Confectionery, Information Technology, Branded Apparel, Personal Care, Stationery, Safety. Matches and other FMCG products. While ITC is an outstanding market leader in its traditional businesses of Cigarettes, Hotels, Paperboards, Packaging and Agri-Exports, it is rapidly gaining market share even in its nascent businesses of Packaged Foods & Confectionery, Branded Apparel and Stationery.

As one of India's most valuable and respected corporations, ITC is widely perceived to be dedicatedly nation-oriented. Chairman Y C Deveshwar calls this source of inspiration "a commitment beyond the market". In his own words: "ITC believes that its aspiration to create enduring value for the nation provides the motive force to sustain growing shareholder value. ITC practises this philosophy by not only driving each of its businesses towards international competitiveness but by also consciously contributing to enhancing the competitiveness of the larger value chain of which it is a part."

ITC's diversified status originates from its corporate strategy aimed at creating multiple drivers of growth anchored on its time-tested core competencies: unmatched distribution reach, superior brand-building capabilities, effective supply chain management and acknowledged service skills in hoteliering. Over time, the strategic forays into new businesses are expected to garner a significant share of these emerging high-growth markets in India.

ITC's Agri-Business is one of India's largest exporters of agricultural products. ITC is one of the country's biggest foreign exchange earners (US $ 2.8 billion in the last decade). The Company's 'e-Choupal' initiative is enabling Indian agriculture significantly enhance its competitiveness by empowering Indian farmers through the power of the Internet. This transformational strategy, which has already become the subject matter of a case study at Harvard Business School, is expected to progressively create for ITC a huge rural distribution infrastructure, significantly enhancing the Company's marketing reach. ITC's wholly owned Information Technology subsidiary, ITC Infotech India Limited, is aggressively pursuing emerging opportunities in providing end-to-end IT solutions, including e-enabled services and business process outsourcing.

ITC's production facilities and hotels have won numerous national and international awards for quality, productivity, safety and environment management systems. ITC was the first company in India to voluntarily seek a corporate governance rating.

ITC employs over 21,000 people at more than 60 locations across India. The Company continuously endeavors to enhance its wealth generating capabilities in a globalizing environment to consistently reward more than 3, 88,000 shareholders, fulfill the aspirations of its stakeholders and meet societal expectations. This over-arching vision of the company is expressively captured in its corporate positioning statement: "Enduring Value. **For the nation, For the Shareholder**

THEORETICAL FRAMEWORK

Customer satisfaction, a term frequently used in marketing, is a measure of how products and services supplied by a company meet or surpass customer expectation. Customer satisfaction is defined as "the number of customers, or percentage of total customers, whose reported experience with a firm, its products, or its services (ratings) exceeds specified satisfaction goals." In a survey of nearly 200 senior marketing managers, 71 percent responded that they found a customer satisfaction metric very useful in managing and monitoring their businesses.

It is seen as a key performance indicator within business and is often part of a Balanced Scorecard. In a competitive marketplace where businesses compete for customers, customer satisfaction is seen as a key differentiator and increasingly has become a key element of business strategy.

"Within organizations, customer satisfaction ratings can have powerful effects. They focus employees on the importance of fulfilling customers' expectations.

Furthermore, when these ratings dip, they warn of problems that can affect sales and profitability. These metrics quantify an important dynamic. When a brand has loyal customers, it gains positive word-of-mouth marketing, which is both free and highly effective."

Therefore, it is essential for businesses to effectively manage customer satisfaction. To be able do this, firms need reliable and representative measures of satisfaction.

"In researching satisfaction, firms generally ask customers whether their product or service has met or exceeded expectations. Thus, expectations are a key factor behind satisfaction. When customers have high expectations and the reality falls short, they will be disappointed and will likely rate their experience as less than satisfying. For this reason, a luxury resort, for example, might receive a lower satisfaction rating than a budget motel-even though its facilities and service would be deemed superior in 'absolute' terms."

The importance of customer satisfaction diminishes when a firm has increased bargaining power. For example, cell phone plan providers, such as AT&T and Verizon, participate in an industry that is an oligopoly, where only a few suppliers of a certain product or service exist. As such, many cell phone plan contracts have a lot of fine print with provisions that they would never get away if there were, say, a hundred cell phone plan providers, because customer satisfaction would be way too low, and customers would easily have the option of leaving for a better contract offer.

There is a substantial body of empirical literature that establishes the benefits of customer satisfaction for firms.

PURPOSE

A business ideally is continually seeking feedback to improve customer satisfaction.

"Customer satisfaction provides a leading indicator of consumer purchase intentions and loyalty." "Customer satisfaction data are among the most frequently collected indicators of market perceptions. Their principal use is twofold:"

1. "Within organizations, the collection, analysis and dissemination of these data send a message about the importance of tending to customers and ensuring that they have a positive experience with the company's goods and services."
2. "Although sales or market share can indicate how well a firm is performing currently, satisfaction is perhaps the best indicator of how likely it is that the firm's customers will make further purchases in the future. Much research has focused on the relationship between customer satisfaction and retention. Studies indicate that the ramifications of satisfaction are most strongly realized at the extremes." On a five-point scale, "individuals who rate their satisfaction level as '5' are likely to become return customers and might even evangelize for the firm. (A second important metric related to satisfaction is willingness to recommend. This metric is defined as "The percentage of surveyed customers who indicate that they would recommend a brand to friends." When a customer is satisfied with a product, he or she might recommend it to friends, relatives and colleagues. This can be a powerful marketing advantage.) "Individuals who rate their satisfaction level as '1,' by contrast, are unlikely to return. Further, they can hurt the firm by making negative comments about it to prospective customers. Willingness to recommend is a key metric relating to customer satisfaction."

HOW TO INCREASE CONSUMER SATISFACTION

Instructions:

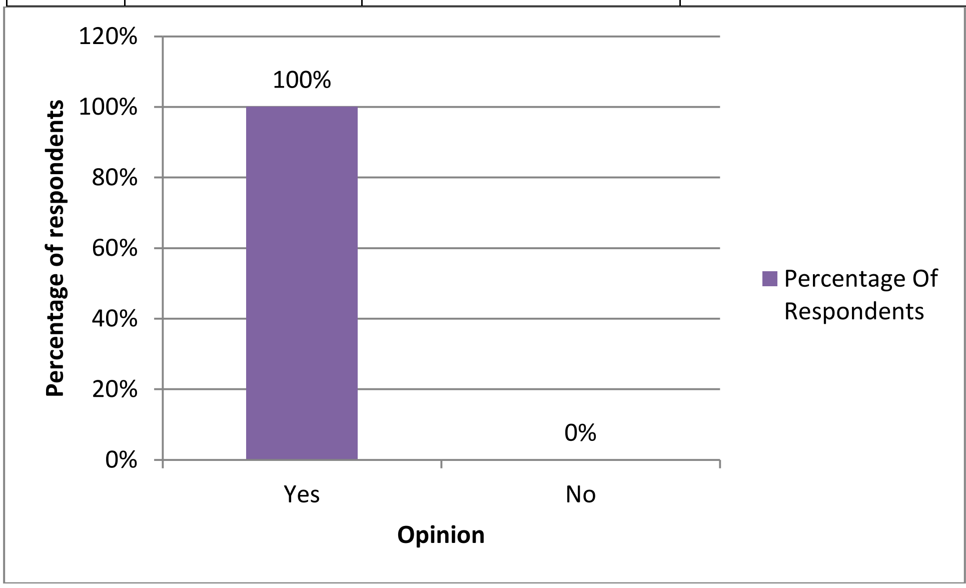
1. Create consumer profiles that are easily accessible to employees who come in contact with customers. Knowing your customer and what his needs are can increase

consumer satisfaction. Maintaining consumer profiles can help you call customers by name and begin to build personal relationships with them. Customer profiles can also include records of purchases so you can recommend other products the customer may want. Building relationships and anticipating consumer needs can ensure that your customers will continue to come to you.

2. Provide free support services for buyers of your products or services. Once a customer purchases something from you, anticipate the customer's needs, as she may experience a problem or have trouble figuring out how to use the product. Your customers will be much more satisfied with your company if you assist them even after you have received their payment. Do not charge them anything for these services, especially since they are asking for help with something they have already purchased from you.
3. Give consumer satisfaction surveys. You can have customers fill them out after they have purchased something or when they visit your website. This will give consumers a chance to let you know how satisfied they are with your services and company. Previous customers will want to do business with your company again if they know you care enough to ask them about their experiences and concerns. This is also a great tactic to use to introduce new and improved services and to find out if customers believe they would improve your company.

Q1. Do you like to eat snacks?

S. No	**Opinion**	**No. Of Respondents**	**Percentage Of Respondents**
1	Yes	120	100%
2	No	0	0%
	TOTAL	**120**	**100%**

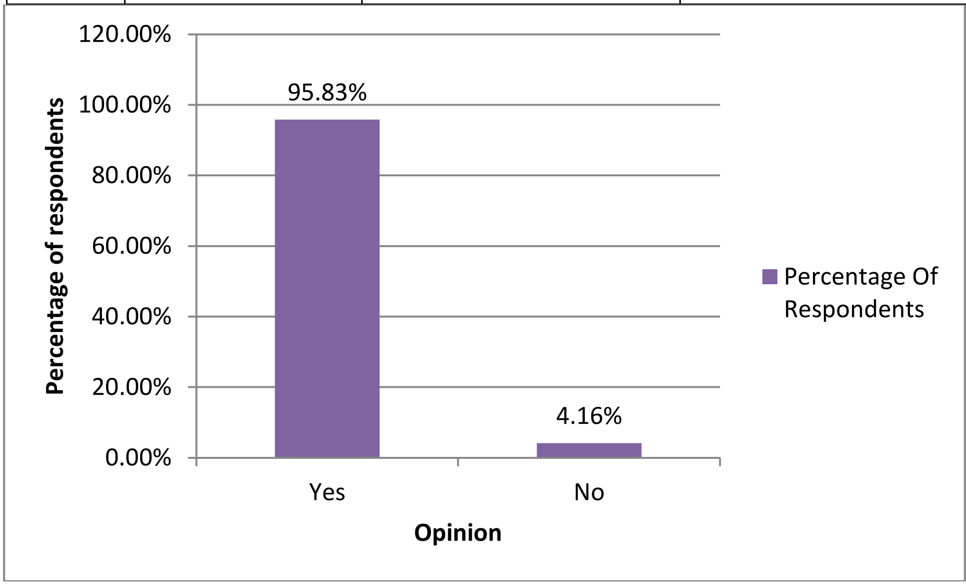


INTERPRETATION

The above graph shows that 100% of respondents want to eat the Snacks.

Q2. Have you heard of ITC's BINGO?

S. No	Opinion	No. Of Respondents	Percentage Of Respondents
1	Yes	115	95.83%
2	No	5	4.16%
	TOTAL	**120**	**100%**



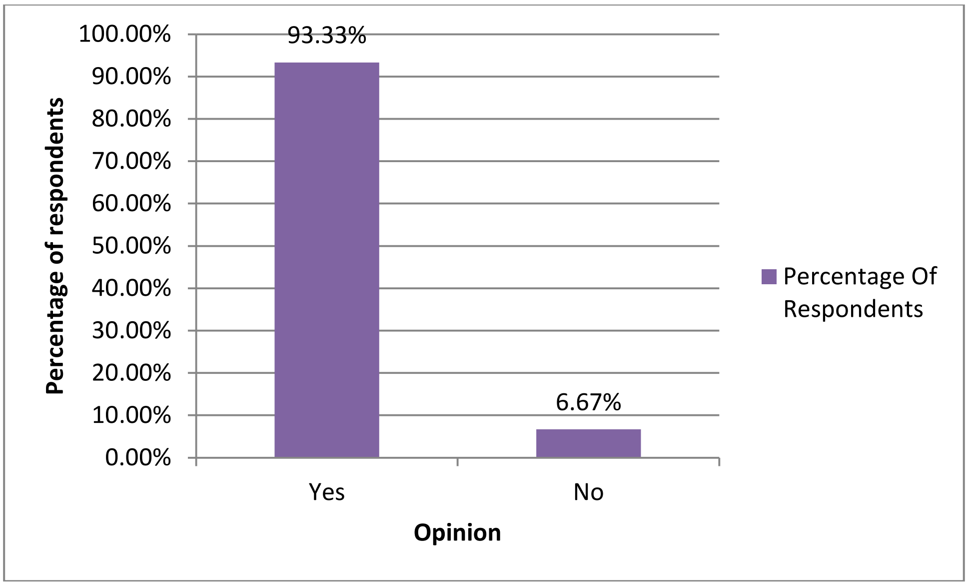
INTERPRETATION

The above graph shows that

- 95.83% of respondents heard about the Bingo Chips
- 4.16% of respondents unheard about the Bingo Chips

Q3. Have you ever tried BINGO?

S. No	Opinion	No. Of Respondents	Percentage Of Respondents
1	Yes	112	93.33%
2	No	8	6.67%
	TOTAL	**120**	**100%**



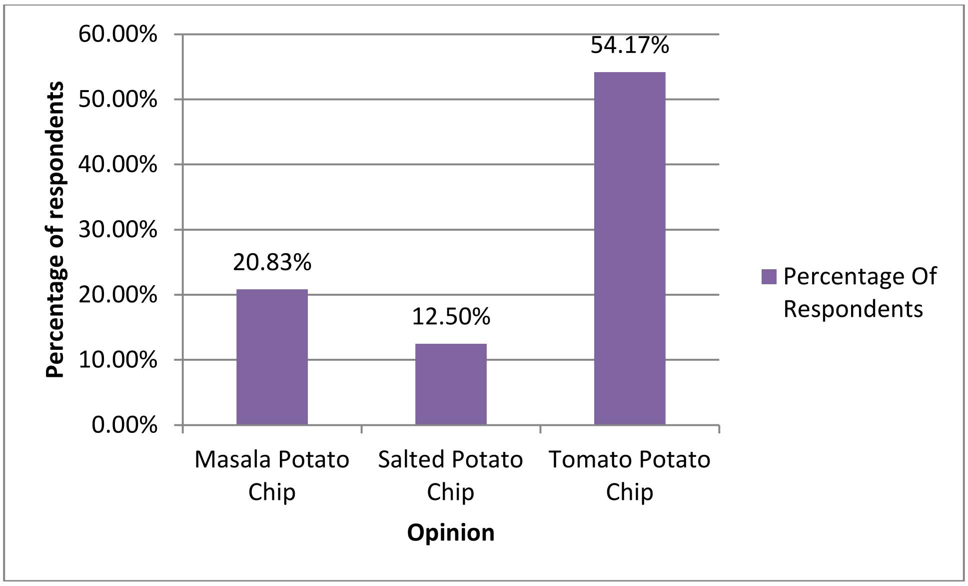
INTERPRETATION

The above graph shows that

- 93.33% of respondents tried the Bingo Chips.
- 6.67% of respondents are not tried the Bingo Chips.

Q4. Which flavour does you like the most?

S. No	Opinion	No. Of Respondents	Percentage Of Respondents
1	Masala Potato Chip	25	20.83%
2	Salted Potato Chip	15	12.5%
3	Tomato Potato Chip	65	54.17%
4	Mad Angles	15	12.5%
	TOTAL	**120**	**100%**



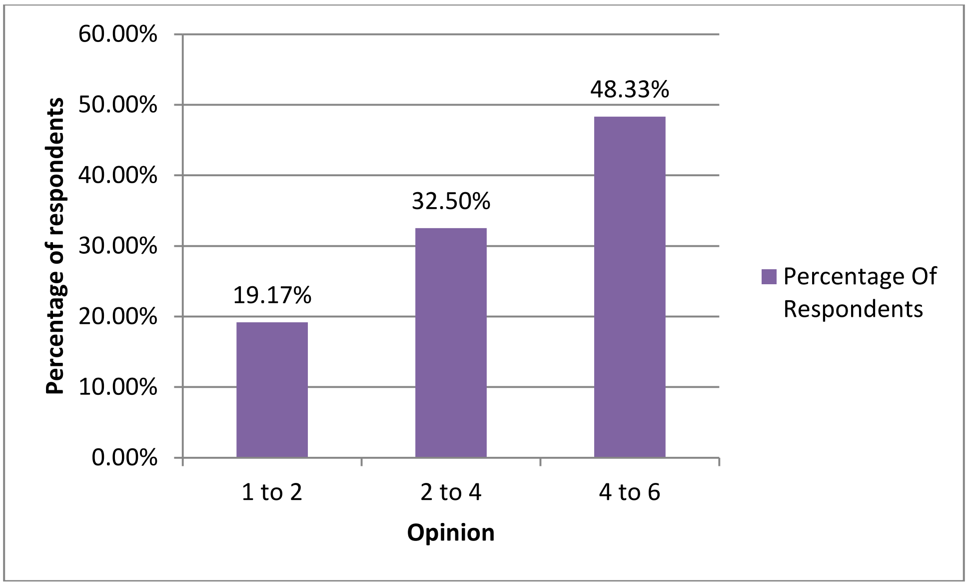
INTERPRETATION

The above graph shows that

- 54.17% of respondents like the tomato potato chips mostly.
- 20.83% of respondents like the masala potato chips mostly.
- 12.50% of respondents like the salted potato chips mostly.

Q5. How much do you spend once or more often every month?

S. No	Opinion	No. Of Respondents	Percentage Of Respondents
1	1 to 2	23	19.17%
2	2 to 4	39	32.5%
3	4 to 6	58	48.33%
	TOTAL	**120**	**100%**



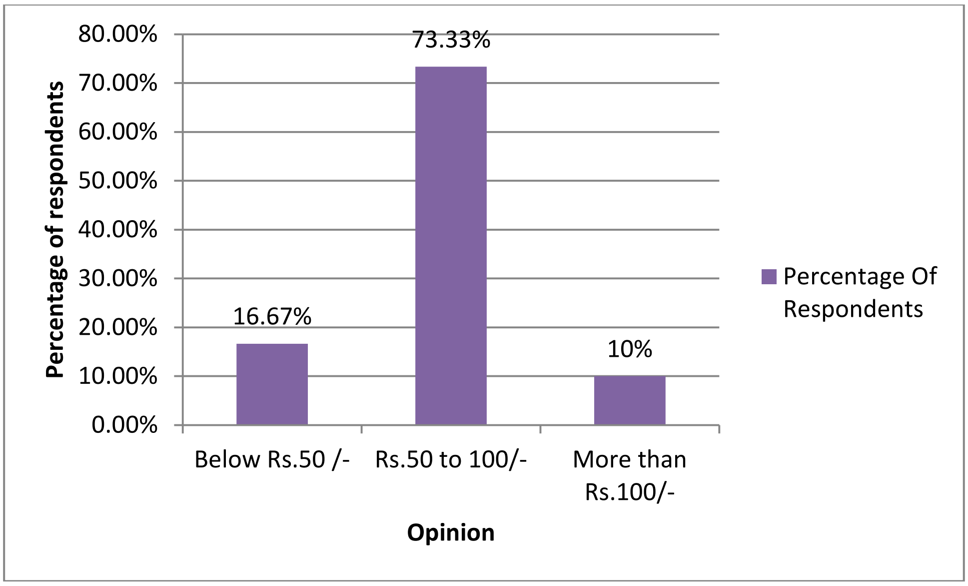
INTERPRETATION

The above graph shows that

- 48.33% of respondents spend 4 to 6 snacks once or more often every month.
- 32.50% of respondents spend 2 to 4 snacks once or more often every month.
- 19.17% of respondents spend 1 to 2 snacks once or more often every month.

Q6. How much do you spend weekly on snacks?

S. No	Opinion	No. Of Respondents	Percentage Of Respondents
1	Below Rs.50 /-	20	16.67%
2	Rs.50 to 100/-	88	73.33%
3	More than Rs.100/-	12	10%
	TOTAL	**120**	**100%**



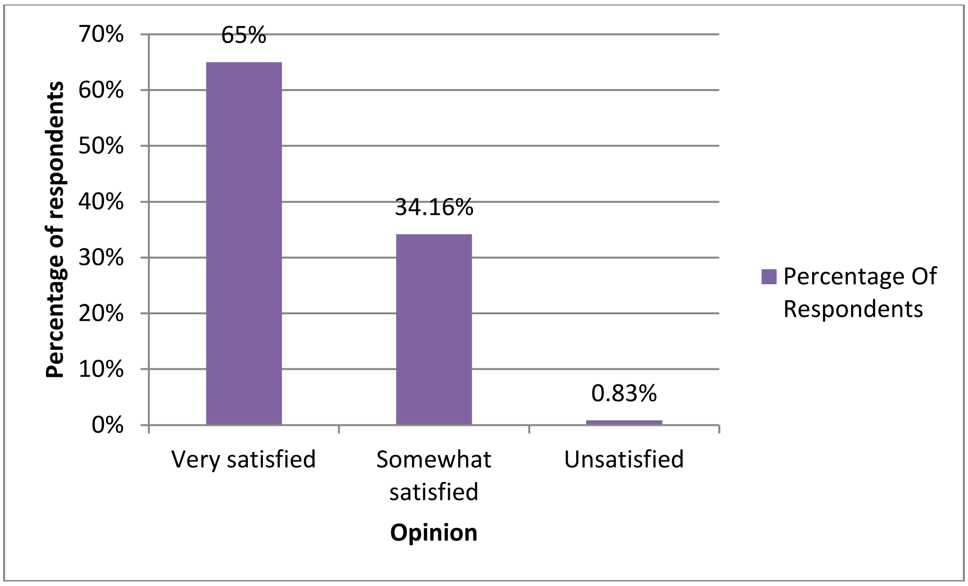
INTERPRETATION

The above graph shows that

- 73.33% of respondents spend the Rs.50 - Rs.100 weekly on snacks.
- 16.67% of respondents spend the below Rs.50 weekly on snacks.
- 10% of respondents spend more than Rs.100 weekly on snacks.

Q7. Overall how you are satisfied with Bingo?

S. No	Opinion	No. Of Respondents	Percentage Of Respondents
1	Very satisfied	78	65%
2	Somewhat satisfied	41	34.16%
3	Unsatisfied	1	0.83%
	TOTAL	**120**	**100%**



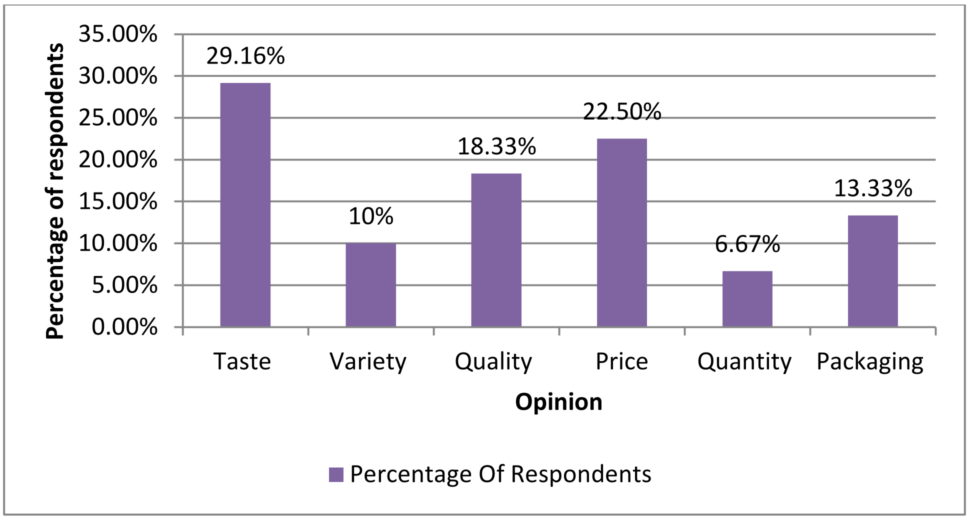
INTERPRETATION

The above graph shows that

- 65% of respondents are very satisfied with the bingo chips.
- 34.16% of respondents are somewhat satisfied with the bingo chips.
- 0.83% of respondents are unsatisfied with the bingo chips.

Q8. What do you like about bingo?

S. No	Opinion	No. Of Respondents	Percentage Of Respondents
1	Taste	35	29.16%
2	Variety	12	10%
3	Quality	22	18.33%
4	Price	27	22.5%
5	Quantity	8	6.67%
6	Packaging	16	13.33%
	TOTAL	**120**	**100%**



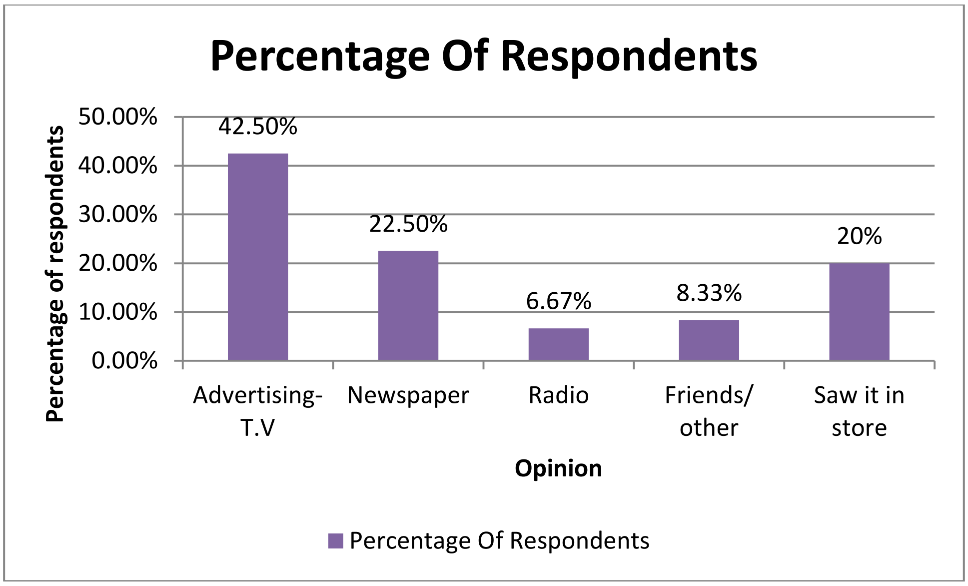
INTERPRETATION

The above graph shows that

- 29.16% of respondents like the taste in Bingo chips.
- 22.50% of respondents like the price in Bingo chips.
- 18.33% of respondents like the quality in Bingo chips.
- 13.33% of respondents like the packaging in Bingo chips.
- 10% of respondents like the variety in Bingo chips.
- 6.67% of respondents like the quantity in Bingo chips.

Q9. How did you know Bingo?

S. No	**Opinion**	**No. Of Respondents**	**Percentage Of Respondents**
1	Advertising- T.V	51	42.5%
2	Newspaper	27	22.5%
3	Radio	8	6.67%
4	Friends/ other	10	8.33%
5	Saw it in store	24	20%
	TOTAL	**120**	**100%**



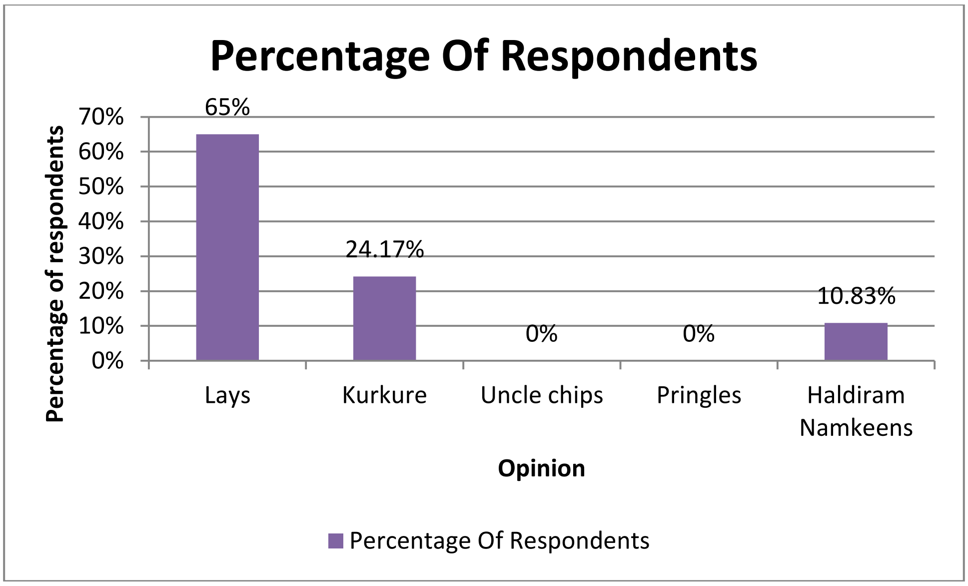
INTERPRETATION

The above graph shows that

- 42.50% of respondents know about the Bingo chips through TV advertising.
- 22.50% of respondents know about the Bingo chips through newspaper.
- 20% of respondents saw the Bingo chips in stores.
- 8.33% of respondents know about the Bingo chips through friends and others.
- 6.67% of respondents know about the Bingo chips through Radio.

Q10. Before switching on to Bingo which snacks did you prefer?

S. No	Opinion	No. Of Respondents	Percentage Of Respondents
1	Lays	78	65%
2	Kurkure	29	24.17%
3	Uncle chips	0	0%
4	Pringles	0	0%
5	Haldiram Namkeens	13	10.83%
	TOTAL	**120**	**100%**



INTERPRETATION

The above graph shows that

- 65% of respondents used the Lays before switching to Bingo.
- 24.17% of respondents used Kurkure before switching to Bingo.
- 10.83% of respondents used the haldiram namkeens before switching to Bingo.

FINDINGS

1. 100% of customers want to eat the Snacks.
2. 95.83% of customers heard about the Bingo Chips
3. 93.33% of customers tried the Bingo Chips.
4. 54.17% of customers like the tomato potato chips mostly.
5. 48.33% of customers spend 4 to 6 snacks once or more often every month.
6. 73.33% of customers spend the Rs.50 - Rs.100 weekly on snacks.
7. 65% of customers are very satisfied with the bingo chips.
8. 29.16% of customers like the taste in Bingo chips.
9. 42.50% of customers know about the Bingo chips through TV advertising.
10. 65% of customers used the Lays before switching to Bingo.
11. 99.17% of customers seen the Bingo advertisements
12. 72.50% of customers think that Chips advertising is effective.
13. 74.17% of customers liked Bingo chips very much.
14. 57.50% of customers think that electronic media effectively spending on the television Market.
15. 54.17% of customers said that bingo chips are much better when compared to the other chips.

CONCLUSIONS

1. Most of the customers want to eat the Snacks.
2. High percent of customers tried the Bingo Chips.
3. Most of the Customers like the tomato potato chips mostly.
4. Customers spend 4 to 6 snacks once or more often every month and spend the Rs.50 - Rs.100 weekly on snacks.
5. High no. of customers is very satisfied with the bingo chips.
6. Most of the customers like the taste in Bingo chips.
7. Customers know about the Bingo chips through TV advertising.
8. Customers used the Lays before switching to Bingo.
9. Some of the customers seen the Bingo advertisements
10. Customers think that Chips advertising is effective.
11. Customers liked Bingo chips very much.
12. Electronic media effectively spending on the television Market
13. The bingo chips are much better when compared to the other chips.
14. Most of customers like mostly the color and taste of Bingo chips

SUGGESTIONS

1. Few no. of customers like the salted potato chips. The management of Bingo has to focus on the taste, color and flavor of salted potato bingo chips to increase their sales.
2. Less percent of customers like the quantity in Bingo chips i.e., more percent of customers are unsatisfied with the quantity of bingo chips. The company has to increase the quantity of Bingo chips to retain the customers.
3. Most of customers know about the Bingo chips through TV advertising only. So, the management of Bingo chips has to focus on TV advertisements mostly to bring more effective one to the customers.
4. High no. of customers think that electronic media effectively spending on the television Market. Electronic media has to be developed more to attract more no. of customers.
5. More no. of customers is not satisfied with the variety of bingo chips. The management has to produce different types of varieties in Bingo chips.

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A PROJECT REPORT

ON

"PERFORMANCE APPRAISAL OF KDCCB"

JIGNASA – 2021

SUBMITTED FOR
JIGNASA - STUDENT STUDY PROJECT

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INTRODUCTION

Today's working climate demands a great deal of commitment and effort from employees, who in turn naturally expect a great deal more from their employers. Performance appraisal is designed to maximize effectiveness by bringing participation to more individual level in that it provides a forum for consultation about standards of work, potential, aspirations and concerns. It is an opportunity for employees to have significantly greater influence upon the quality of their working lives. In these times of emphasis on "quality", there is a natural equation better quality goods and services from employees who enjoy better quality "goods and services" from their employers.

Performance appraisal must be seen as an intrinsic part of a manager's responsibility and not an unwelcome and time-consuming addition to them. It is about improving performance and ultimate effectiveness.

THE APPRAISAL OF PERFORMANCE SHOULD BE GEARED TO

- Improve the ability of the job-holder;
- Identify obstacles which are restricting performance
- Agree a plan of action that will lead to improved performance.

It is widely accepted that the most important factor in organization effectiveness is the effectiveness of the individuals who make up the organization by different performance levels. If every individual in the organization becomes more effective, then the organization itself will become more effective. The task of reviewing situations and improving individual performance must therefore be a key task for all managers. For appraisal to be effective, which means producing results for the company, each manager has to develop and apply the skills of appraisal.

These are

- Setting standards on the performance required, which will contribute to the achievement of specific objectives
- Monitoring performance in a cost -effective manner, to ensure that previously agreed performance standards are actually being achieved on an ongoing basis
- Analyzing any differences between the actual performance and the target performance to establish the real cause of a shortfall rather than assume the fault to be in the jot holder.

- Interviewing having a discussion with the jobholder to verify the true cause of a shortfall, a developing a plan of action, which will provide the performance, required

Appraisal can then become a way of life, not concerned simply with the regulation of rewards and the identification of potential, but concerned with improving the performance of the company. The benefits of appraisal in these terms are immediate and accrue to the appraising manager, the subordinate manager / employee, and to the company as a whole.

NEED FOR THE STUDY

The study concentrates on the performance appraisal of the company. It involves the study of performance levels of the employees of Bank.
It helps the management of the company to evaluate the performance of his employees. It helps in guiding and controlling the behavior as well as the work of the employees. The ability of the staff is recognized and can be adequately rewarded.
It provides information to diagnose deficiencies in the employee's skill, knowledge and determine the training and development need. It maintains fair relationships with group.
This study has been carried out in order to learn the Performance Appraisal System of Bank; to know what strategies are being implied and how far they are effective.

SCOPE OF THE STUDY

The topic chosen "Performance Appraisal" was aimed at the betterment of the organization in terms of quality as well as quantity.

The present study focuses on the existing performance appraisal system of Bank. The views of the executives were taken through primary as well as secondary source.

OBJECTIVES OF THE STUDY

1. To examine why a Performance appraisal system is important.
2. To analyze various appraisal strategies to improve the performance of the individual employees.
3. To study existing performance appraisal system in Bank.
4. To know the best performance appraisal strategy of the company.
5. To reveal the various gaps in the appraisal system, if any.
6. To improve the performance of the employees and thereby improving the overall performance of the company, by providing suggestions, if any.

RESEARCH METHODOLOGY

Sample size

The sample size selected for the study is 50 employees of Bank.

Primary Data

It is the information collected directly without referring to any books or websites. In this study, it is gathered through interviews with various employees, human resource officers and other concerned people. Some of the information were verified and supplemented through personal observation.

Secondary Data

The Secondary data was collected from already published sources such as pamphlets, annual reports, various journals and internal records.

The data collection includes reference from textbooks and journals relating to the company.

LIMITATIONS OF THE STUDY

- The study is focused on a very general level rather than a full scale detailed report.
- The study does not secure information from an in depth prospective.
- The study is not necessarily the solution to the problem that exists.
- There were a lot of breaks and hindrances while the study took place.
- The feedback given by recipients is not necessarily right.

THEORETICAL FRAMEWORK

In human resources or industrial psychology, **360-degree feedback,** also known as **multi-rater feedback, multi source feedback,** or **multi source assessment,** is a process utilized by organizations to solicit information from a variety of workplace sources on an employee's work-related behavior and/or performance. Most often, information solicited in a 360-degree feedback process will include feedback from an employee's subordinates, peers (colleagues), and supervisor(s), as well as a self-evaluation by the employee him or herself. Such feedback can also include, when relevant, feedback from external sources that interact with the employee, such as customers and suppliers or other interested stakeholders. 360-degree feedback is so named because it solicits feedback regarding an employee's behavior from a variety of points of view (subordinate, lateral, and supervisory). It therefore may be contrasted with "downward feedback" (traditional feedback on work behavior and performance delivered to subordinates by supervisory or management employees only; see traditional performance appraisal), or "upward feedback" delivered to supervisory or management employees by subordinates only.

Organizations have most commonly utilized 360-degree feedback for developmental purposes, providing it to employees to assist them in developing work skills and behaviors. However, organizations are increasingly using 360-degree feedback in performance evaluations and employment decisions (e.g., pay;

promotions). When 360-degree feedback is used for performance evaluation purposes, it is sometimes called a "360-degree review."

There is a great deal of debate as to whether 360-degree feedback should be used exclusively for development purposes or for evaluation purposes as well. This is due primarily to feedback providers' subjectivity and motivations, inter-rater variations, and whether feedback providers have the ability to fairly evaluate attainment of work and organizational objectives. While these issues exist when 360-degree feedback is used for development, they are more prominent when employers use them for performance evaluation purposes, as they can unfairly influence employment decisions, and even lead to legal liability.

REQUIREMENTS AND BEST PRACTICES

Designing a valid and defensible 360^0 feedback system

Research indicates that the following steps will help ensure that a 360-degree feedback system is valid and beneficial. First, feedback should be solicited only on relevant work behaviors that feedback providers are positioned to fairly evaluate. Second, feedback providers should be advised how their feedback is going to be used (i.e., development or performance appraisal or both). Third, feedback providers need to be adequately trained, and alerted to sources of observer bias that could invalidate or compromise their ratings. Fourth, only feedback providers who are adequately familiar with an employee's work behavior should provide feedback and selected to participate; otherwise, feedback could be invalid, and moot or destructive. Fifth, feedback must be obtained from an adequately representative sample of qualified feedback providers (subordinates, peers, supervisors, and internal/external customers) so that feedback is representative. Sixth, behavior and performance criteria need to be clearly job-linked and well defined, and valid rating scales used. Seventh, both open (written comments) and closed questions (Likert-scale) should be used to solicit both qualitative and quantitative data. Eighth, mechanisms should be included to ensure accountability, so that management can identify sources of feedback if abuses occur. Ninth, results should be followed up on and coaching provided, including development plans if feedback ratings indicate deficiencies.

Tenth, quality controls should be in place and management should monitor results to ensure that valid and reliable feedback is produced and the system is psychometrically solid.

A 360-degree feedback system must also meet basic minimum legal requirements if it is to contribute to employment decisions or performance appraisals. These are the basic legal requirements for any valid performance appraisal system. Core requirements are that performance metrics are based on job analysis, and valid and relevant performance measures are used. A legal performance appraisal system includes:

1. a formalized, documented, objective process
2. job analysis based standards for performance
3. job related performance standards relevant to successful performance
4. weights for competent dimensions of performance
5. trained appraisers
6. appraisers who have substantial opportunities to observe work performance
7. multiple appraisers if quality requires
8. Standardized and controls measures for appraisals.

360 degree appraisal is also a powerful developmental tool because when conducted at regular intervals (say yearly) it helps to keep a track of the changes others' perceptions about the employees. A 360 degree appraisal is generally found more suitable for the managers as it helps to assess their leadership and managing styles. This technique is being effectively used across the globe for performance appraisals. Some of the organizations following it are Wipro, Infosys, and Reliance Industries etc.

Advantages of 360 degree appraisal

- Offer a more comprehensive view towards the performance of employees.
- Improve credibility of performance appraisal.
- Such colleague's feedback will help strengthen self-development.
- Increases responsibilities of employees to their customers.
- The mix of ideas can give a more accurate assessment.
- Opinions gathered from lots of staff are sure to be more persuasive.

- Not only manager should make assessments on its staff performance but other colleagues should do, too.
- People who undervalue themselves are often motivated by feedback from others.
- If more staff takes part in the process of performance appraisal, the organizational culture of the company will become more honest.

History of 360^0 feedback

The German Military first began gathering feedback from multiple sources in order to evaluate performance during World War II (Fleenor & Prince, 1997). Also during this time period, others explored the use of multi-rater feedback via the concept of T-groups.

One of the earliest recorded uses of surveys to gather information about employees occurred in the 1950s at Esso Research and Engineering Company (Bracken, Dalton, Jako, McCauley, & Pollman, 1997). From there, the idea of 360-degree feedback gained momentum, and by the 1990s most human resources and organization development professionals understood the concept. The problem was that collecting and collating the feedback demanded a paper-based effort including either complex manual calculations or lengthy delays. The first led to despair on the part of practitioners; the second to a gradual erosion of commitment by recipients.

Multi-rater feedback use steadily increased in popularity, due largely to the use of the Internet in conducting web-based surveys (Atkins & Wood, 2002). Today, studies suggest that over one-third of U.S. companies use some type of multi-source feedback (Bracken, Timmereck, & Church, 2001a). Others claim that this estimate is closer to 90% of all Fortune 500 firms (Edwards & Ewen, 1996). In recent years, Internet-based services have become the norm, with a growing menu of useful features (e.g., multi languages, comparative reporting, and aggregate reporting) (Bracken, Summers, & Fleenor, 1998).

- There is requirement for training and important effort in order to achieve efficient working.
- It will be very hard to figure out the results.
- Feedback can be useless if it is not carefully and smoothly dealt with.

- Can impose an environment of suspicion if the information is not openly and honestly managed.

360 degree performance appraisal done by

- Subordinates.
- Peers.
- Managers (i.e. superior).
- Team members.
- Customers.
- Suppliers/ vendors.
- Anyone who comes into contact with the employee and can provide valuable insights and information.

360 degree appraisal has four components:

- Self appraisal
- Peer appraisal.
- Subordinate's appraisal
- Superior's appraisal

Self-appraisal gives a chance to the employee to look at his/her strengths and weaknesses, his achievements, and judge his own performance. Superior's appraisal forms the traditional part of the 360 degree appraisal where the employees' responsibilities and actual performance is rated by the superior.

Subordinates appraisal gives a chance to judge the employee on the parameters like communication and motivating abilities, superior's ability to delegate the work, leadership qualities etc. Also known as internal customers, the correct feedback given by peers can help to find employees' abilities to work in a team, co-operation and sensitivity towards others.

Self-assessment is an indispensable part of 360 degree appraisals and therefore 360 degree Performance appraisal have high employee involvement and also have the strongest impact on behavior and performance. It provides a "360-degree review" of the employees' performance and is considered to be one of the most credible performance appraisal methods.

PROCESS OF 360^0 PERFORMANCE APPRAISALS

Step 1 – what is the purpose of the feedback

Why to do it in the first place? What do you want out of it? The answer to those questions will affect the way you set-up your 360 process, how you communicate about it with your people and how you review the process down the track.

For example, here are two common reasons:

1. As part of an ongoing performance management process.
   - Making sure your people have the capabilities needed to achieve the corporate goals.
   - Developing people to improve performance.
2. As part of a leadership development process.
   - Targeting development for participants.
   - Providing a post measure of the effectiveness of the program.

Step 2 – gain commitment from management

Management need to be committed to the 360 degree feedback process for it to work. If they aren't committed, your people will see this and the process won't be effective. Getting management to buy into it comes down to why you are doing it in the first place. A direct financial argument also helps – this'll be the subject of a future post.

Step 3 – involve your people up front and pilot the process

Involve your people in the design of the process. Use a nice cross section of people – the ones who'll be affected by the process.

You need:

- To get them to buy into the reasons for doing 360.
- To get input on how to run the process to make sure it'll work in the real world.
- To get input and feedback on the competencies (see step 3).

Implement 360 with a pilot group first. Get feedback and make any changes needed before going out to the wider group.

Step 4 – what competencies or values will be used

You can get feedback on almost anything including your new hair style, but the most common things are:

- Competencies.
- Values.
- Behaviors.

Where do you get the competencies from? There are heaps of libraries. And if you use software package to do your 360s it may already have one.

Choose the competencies that will support your corporate goals. Use around seven competencies all up.

The competencies will form a questionnaire that feedback providers will complete. Decide on a rating scale to use with the questionnaire. The competency library you use will probably suggest one.

Step 5 – who will provide coaching – they may need to be trained

When your people eventually receive their feedback they'll need someone to help them understand it and to create a plan to develop areas needing improvement. This person needs to be skilled at coaching. It is usually a person's manager, someone from HR or a coaching professional.

If you want your managers to provide coaching and they aren't skilled in this area, they'll need some training.

Step 6 – communicate with your people – let them know why and how

Let your people know these things:

- That a new process called 360 degree feedbacks is being implemented.
- Why it is being implemented – see step 1.
- What it is.
- How it will work.
- What they will get out of it.
- What they need to do.

Step 7 – who will receive feedback and who will provide it

Alright now you need to determine who is going to receive feedback – the people being reviewed. Once this is done, the feedback providers need to be selected. There are two ways this is typically done . . .

1. The employee nominates their own reviewers and gets their manager's approval.
2. The manager nominates the reviewers.

Employee nomination is better – because people take more notice of feedback from people they know well and respect. At first your people may not get the whole idea of what the feedback process does for them. So the manager approval process is needed to make sure people don't kid themselves by choosing buddies to give them feedback.

Step 8 – ask people to provide feedback

The next step is to ask the reviewers to provide feedback. They do this by responding to a questionnaire and providing any written comments.

It's also essential that a person completes a self review. This really helps a person identify gaps between how they see themselves and how they are perceived by others.

Step 9 – follow-up and collate feedback

Collate responses for each person receiving feedback. Follow-up with stragglers to make sure they respond before the deadline.

Step 10 – produce reports

A report is produced for each person receiving feedback. This helps them understand the feedback provided by each of their reviewers.

Responses from each of the reviewers, except managers, are generally aggregated. This protects anonymity and makes sure that an individual's responses can't be identified. So for example, instead of seeing each direct report's individual response, you'll see an average of all direct report responses.

Manager responses aren't normally anonymous. In other words a person would be able to see exactly what feedback their manager provided.

Step 11 – provide coaching

The report is provided to the person receiving feedback as part of a coaching and development process. This should be done by someone skilled at coaching – this could be the person's manager, someone from HR or a coaching professional.

The report is used to help the person identify, understand and gain confidence in their strengths. It's also used to highlight opportunities for improvement and areas for development.

The coach helps the person create a plan to develop their capabilities. The person undertakes the development with progress being reviewed as part of the coaching process.

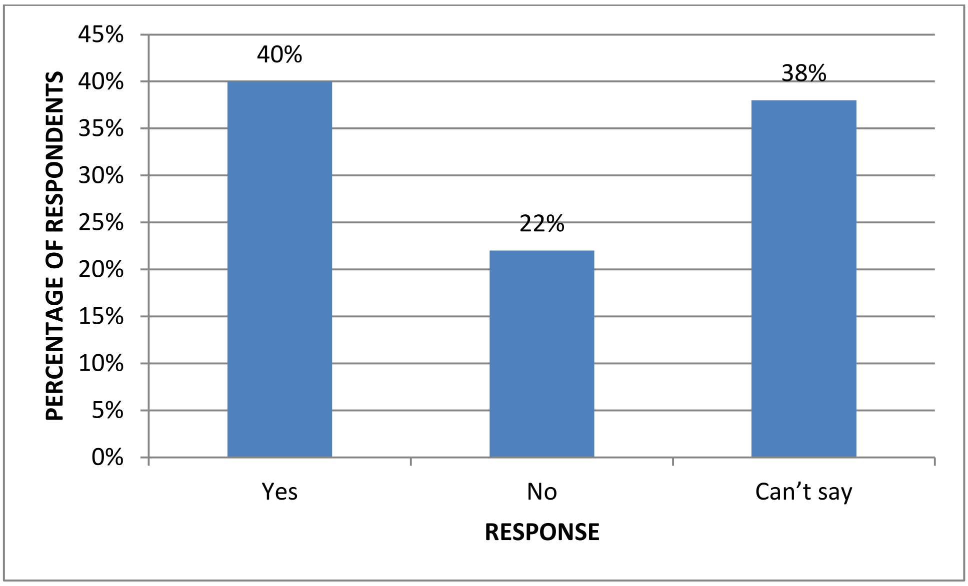
360 degree feedback can be a time consuming process if done manually. So how do you get the benefits without the admin overhead? The answer is technology. Cognology have developed a simple to use online 360 degree feedback system that automates the process so you can focus on the results.

1. **Does the company follow the performance appraisal system for the employee?**

Table 4. 1

S.NO	RESPONSE	NO. OF RESPONDENTS	PERCENTAGE OF RESPONDENTS
1	Yes	20	40%
2	No	11	22%
3	Can't say	19	38%
	TOTAL	50	100%

Fig. 4. 1



Interpretation:

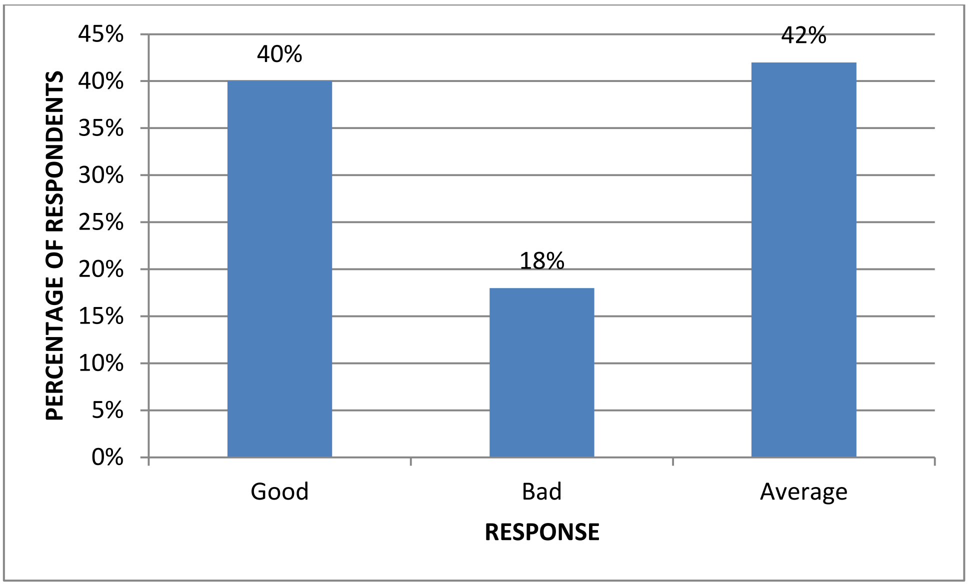
From the above graph it is clear that 40% of the respondents said that the company follows the performance appraisal system for the employee and 38% of respondents couldn’t say that the company follows the performance appraisal system for the employee and 22% of respondents said that the company does not follow the performance appraisal system for the employee.

2. How do you feel about performance appraisal system existed in the organization?

Table 4. 2

S.NO	RESPONSE	NO. OF RESPONDENTS	PERCENTAGE OF RESPONDENTS
1	Good	20	40%
2	Bad	9	18%
3	Average	21	42%
	TOTAL	50	100%

Fig. 4. 2



Interpretation:

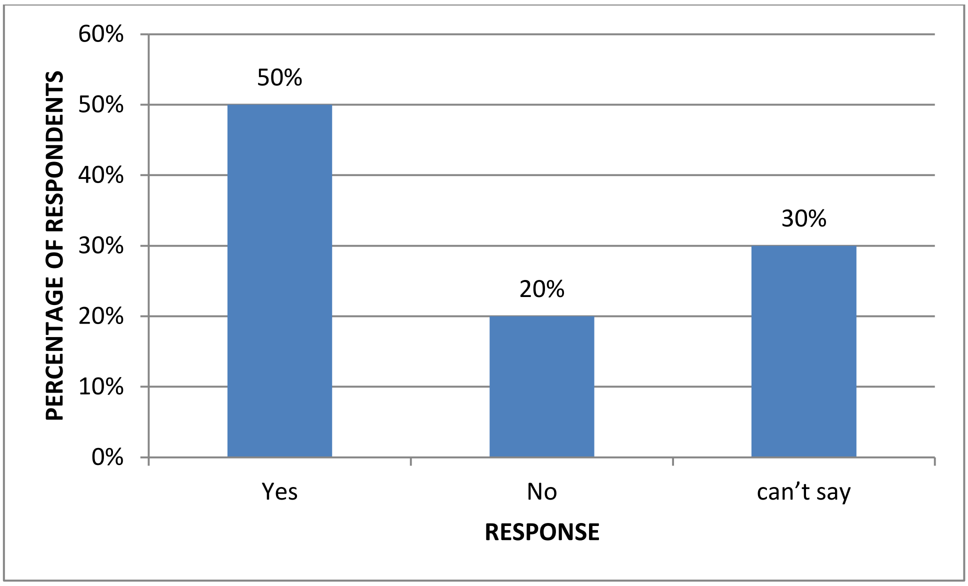
The above graph shows 42% of respondents felt that that performance appraisal system is average in the organization, 40% of respondents felt that performance appraisal system is average and 18% of respondents performance appraisal system is bad in the organization.

3. **Do you feel that performance appraisal system helps in increasing the performance of employees?**

Table 4. 3

S.NO	RESPONSE	NO. OF RESPONDENTS	PERCENTAGE OF RESPONDENTS
1	Yes	25	50%
2	No	10	20%
3	can't say	15	30%
	TOTAL	50	100%

Fig. 4. 3



Interpretation:

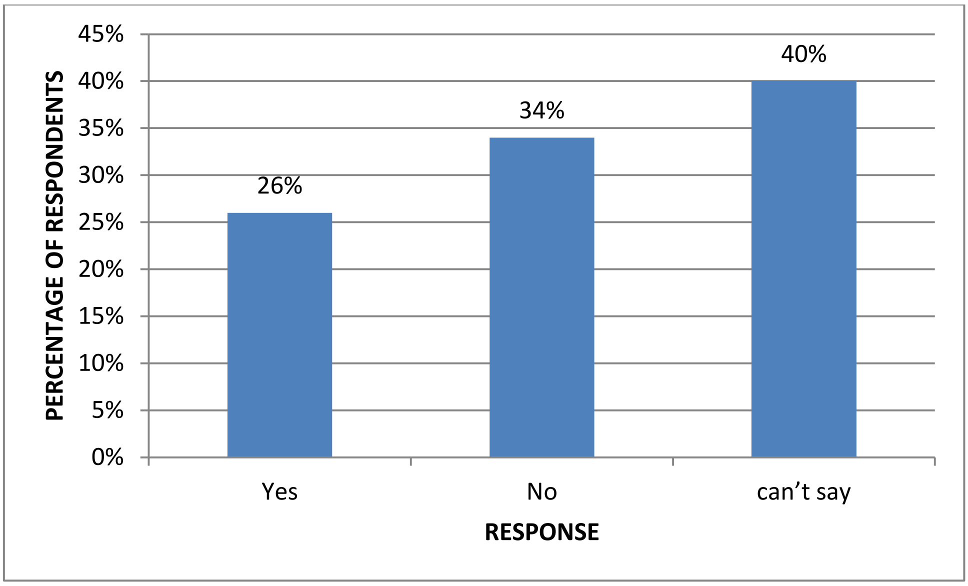
From the above graph it is clear that 50% of respondents felt that performance appraisal system helps in increasing the performance of employees, 30% of respondents couldn’t say that performance appraisal system helps in increasing the performance of employees and 20% of respondents felt that performance appraisal system don’t helps in increasing the performance of employees.

4. Do you think that performance appraisal strategies applicable to your organization?

Table 4. 4

S.NO	RESPONSE	NO. OF RESPONDENTS	PERCENTAGE OF RESPONDENTS
1	Yes	13	26%
2	No	17	34%
3	can’t say	20	40%
	TOTAL	50	100%

Fig. 4. 4



Interpretation:

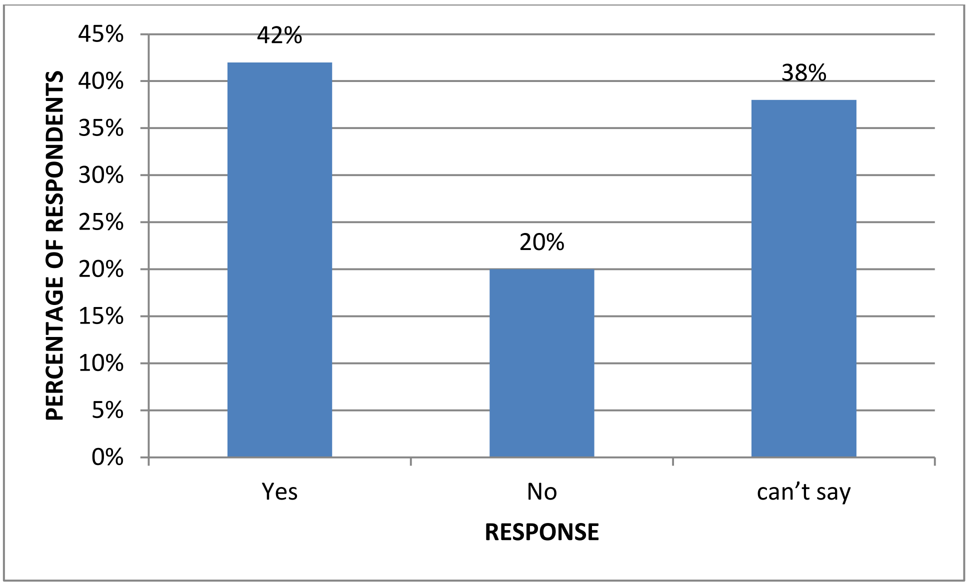
The above analysis explains that 40% of respondents couldn't say that performance appraisal strategies applicable to organization, 34% of respondents thought that performance appraisal strategies not applicable to organization and 26% of respondents thought that performance appraisal strategies applicable to organization.

5. Are performance appraisal strategies involves improvement in individual employees?

Table 4. 5

S.NO	RESPONSE	NO. OF RESPONDENTS	PERCENTAGE OF RESPONDENTS
1	Yes	21	42%
2	No	10	20%
3	can't say	19	38%
	TOTAL	50	100%

Fig. 4. 5



Interpretation:

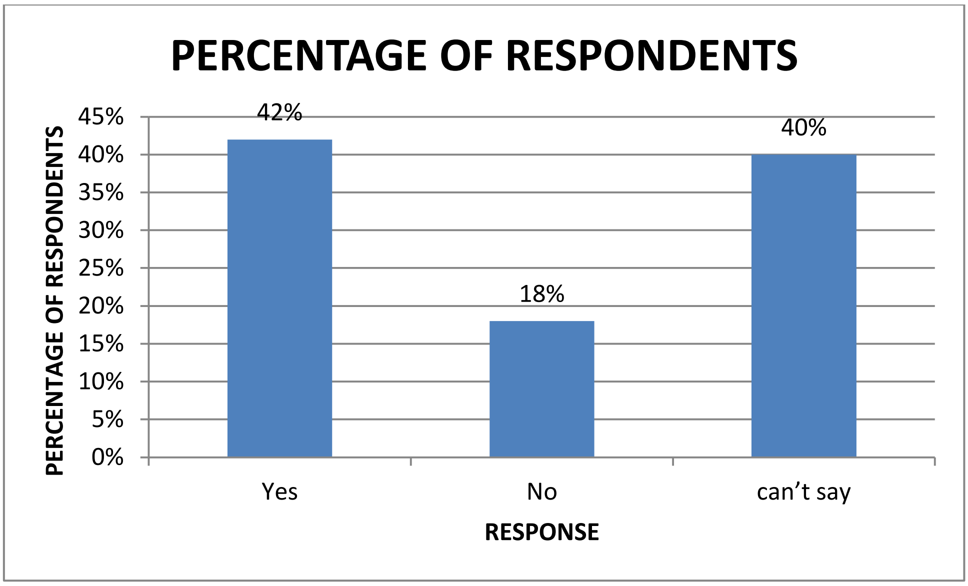
The above graph concludes that 42% of respondents explained that performance appraisal strategies involves improvement in individual employees, 38% of respondents couldn't say that performance appraisal strategies involves improvement in individual employees and 20% of respondents explained that performance appraisal strategies involves improvement in individual employees.

6. **Does the company analyses the performance of teachers?**

Table 4. 6

S.NO	RESPONSE	NO. OF RESPONDENTS	PERCENTAGE OF RESPONDENTS
1	Yes	21	42%
2	No	9	18%
3	can't say	20	40%
	TOTAL	50	100%

Fig. 4. 6



Interpretation:

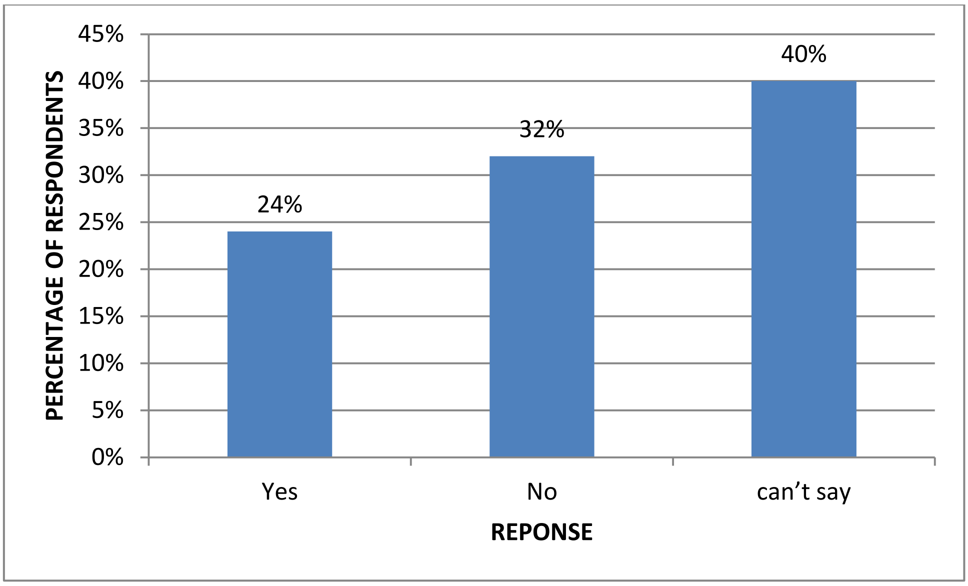
From the above analysis it is found that 42% of respondents felt that company analyses the performance of teachers, 40% of respondents couldn't say and 18% of respondents felt that company doesn't analyse the performance of teachers.

7. Do you think that performance appraisal system is important in the organization?

Table 4. 7

S.NO	RESPONSE	NO. OF RESPONDENTS	PERCENTAGE OF RESPONDENTS
1	Yes	14	24%
2	No	16	32%
3	can't say	20	40%
	TOTAL	50	100%

Fig. 4. 7



Interpretation:

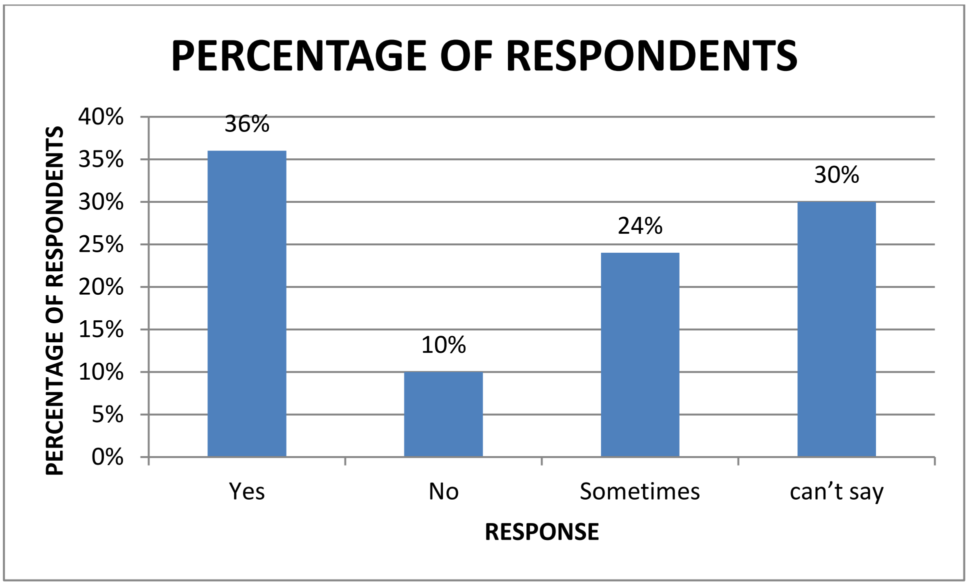
The above graph shows that 40% of respondents couldn't say that that performance appraisal system is important in the organization, 32% of respondents felt that performance appraisal system is not important in the organization and 24% of respondents found that that performance appraisal system is important in the organization.

8. Do you find any gaps in performance appraisal system implemented in the organization?

Table 4. 8

S.NO	RESPONSE	NO. OF RESPONDENTS	PERCENTAGE OF RESPONDENTS
1	Yes	18	36%
2	No	5	10%
3	Sometimes	12	24%
4	can't say	15	30%
	TOTAL	50	100%

Fig. 4. 8



Interpretation:

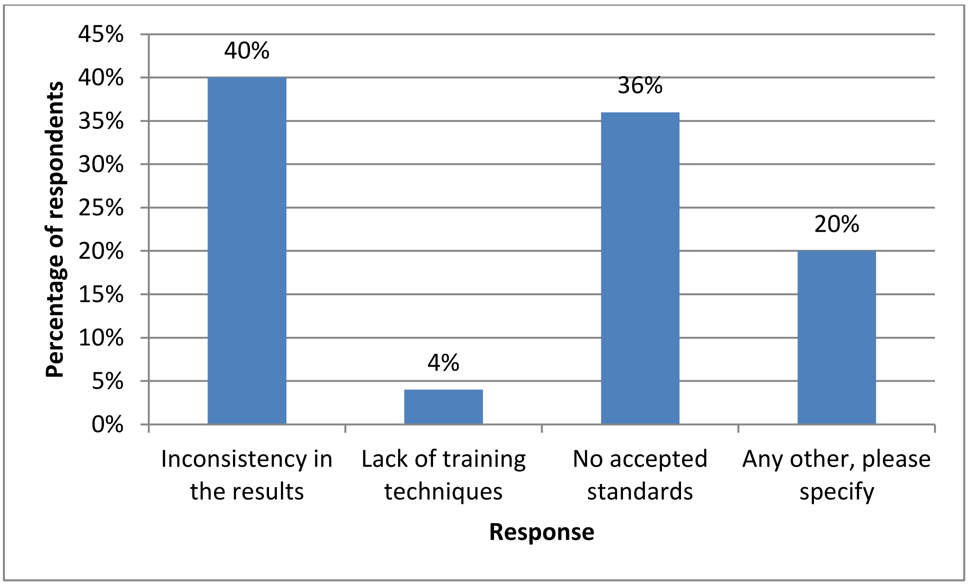
From the above graph it is clear that 36% of respondents find gaps in performance appraisal system implemented in the organization, 30% of respondents couldn't say, 24% of respondents sometimes find gaps in performance appraisal

9. What are the problems faced in the organization related to performance appraisal?

Table 4. 9

S.NO	RESPONSE	NO. OF RESPONDENTS	PERCENTAGE OF RESPONDENTS
1	Inconsistency in the results	20	40%
2	Lack of training techniques	2	4%
3	No accepted standards	18	36%
4	Any other, please specify	10	20%
	TOTAL	50	100%

Fig. 4. 9



Interpretation:

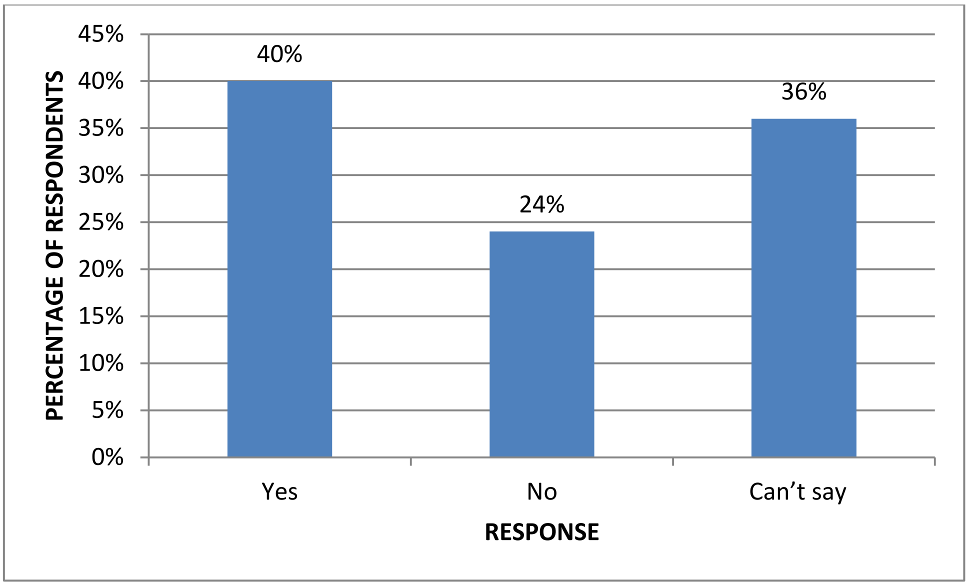
From the above graph it is clear that 40% of respondents felt that Inconsistency in the results, 3% of respondents felt there are no accepted standards and 4% of respondents felt that lack of training techniques in the organization regarding performance appraisal.

10. Improvement in the performance of the company can be possible through improvement of performance of employees.

Table 4. 10

S.NO	RESPONSE	NO. OF RESPONDENTS	PERCENTAGE OF RESPONDENTS
1	Yes	20	40%
2	No	12	24%
3	Can't say	18	36%
	TOTAL	50	100%

SFig. 4. 10



Interpretation:

The above graph shows that 40% of respondents said that Improvement in the performance of the company can be possible through improvement of performance of employees, 36% of respondents couldn't say and 24% of respondents opined that Improvement in the performance of the company can't be possible through improvement of performance of employees.

FINDINGS

1) Employees said that the company follows the performance appraisal system for the employee
2) Some of employees felt that that performance appraisal system is average in the organization
3) Most of employees felt that performance appraisal system helps in increasing the performance of employees
4) Employees couldn't say that performance appraisal strategies applicable to organization
5) Performance appraisal strategies involves improvement in individual employees
6) Employees felt that company analyses the performance of teachers

7) Most of employees couldn't say that that performance appraisal system is important in the organization
8) Employees find gaps in performance appraisal system implemented in the organization
9) Employees felt that inconsistency in the results in the organization regarding performance appraisal
10) Most of employees said that improvement in the performance of the company can be possible through improvement of performance of employees

CONCLUSIONS

1) Employees couldn't say that present performance appraisal system cover all the parameters/aspects
2) Performance appraisal improve job knowledge & skills of employee
3) Employees said that current performance appraisal system is motivating in company
4) Many of employees opined that the performance appraisal system improve the employee efficiency
5) Some of the employees couldn't say that after each performance appraisal they get any guidance from their supervisors for growth in the organization
6) Employees felt that performance appraisal system helps in improving the effectiveness of the employee
7) The purpose of implementing the performance appraisal in company is going in the right path.
8) Employees felt that performance appraisal system at company is easy to understand &follow
9) Many of employees felt good about the performance improves the relation between superior &subordinate
10) Employees are not much satisfied with the performance appraisal programs which they have gone through

SUGGESTIONS

As the organization does not properly follow the performance appraisal system needs some improvements for achieving better results.

- The company should be able to disclose at least few of its future plans with the employees in order to have a closed vision.
- Recognizing the employee skills and placing them in a better position.
- Work responsibilities must be according to the qualification and experience of the employee.
- The organization should follow performance appraisal process.
- The organization should assess the employee based on their performance.
- Awareness about various practices of performance appraisal is found low in the employees as the major answer to many questions was can't say or don't know. Hence some of the respondents don't have any idea about the questions.

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A STUDY ON

RATIO ANALYSIS

WITH REFERENCE TO

MEGHANA FOODS, KARIMNAGAR

STUDENT STUDY PROJECT SUBMITTED TO THE COMMISSIONER OF COLLEGIATE EDUCATION, Hyderabad

Under the
JIGNASA
SUBMITTED
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DECEMBER, 2021

RATIO ANALYSIS

Ratio is expression of the quantitative relationship that exists between the numbers. In simple language ratio is one number expressed in terms of another and it work out by dividing one number by the other. It shows the relationship between two figures.

Ratio analysis is a widely used tool of financial analysis. It is defined as the systematic use of ratios to interpret the financial statements so that the strengths and weakness of firm as well as its historical performance and current condition can be determined. The relationship between two or more accounting figures/groups is called financial ratios. A financial ratio helps to summarize a large mass of financial date into a concise firm and to make meaningful interpretation and conclusion about the performance of the firm.

A ratio may be expressed either in proportion or as rate or as percentage. A ratio may make the form of proportion. Here the figures of the two items used for computing the ratio or expressed in common denominator. Example is current ratio 5:3, acid test ratio 1:3:1 etc.

NEED AND IMPORTANCE OF THE STUDY

The project work is done for analyzing the financial position of Mayur Bread. The analysis of the financial position gives a better picture of the financial position of the organization in order to take better decisions. Ratio analysis guides the board and the management to pursue objectives that are in the interest of the company.

The study is also beneficial to employees and offers motivation by sharing how they are contributing for the company's growth. This study is also beneficial to top management of the company by providing relevant information regarding important aspects like liquidity, leverage, activity and profitability.

OBJECTIVES OF THE STUDY

1. To know the importance of ratio's financial analysis prospection.
2. To evaluate the performance of the Mayur Bread over the last five years.
3. To know the various financial ratios influence on company value.
4. To compare with standard to action ratio.
5. To draw conclusions and to suggest suitable measures to overcome problems, if any to improve its performance.

SCOPE OF THE STUDY

The present study will reveal the financial performance of the company covering purely financial data supplied by the company's financial statements through ratio analysis. The Ratio analysis is an analyzed financial data along with interpretation. It includes the analysis of the financial position through ratios of Mayur Bread only.

RESEARCH METHODOLOGY

Sources of data

Methodology is a systematic procedure of collecting information in order to analyze and verify a phenomenon. The collection of data is done through two principle sources viz.,

1) Primary data
2) Secondary data

1) Primary data

It is the information collected directly without any reference. In the study, it mainly interviews the concerned officers and staff either individually or collectively. For the present analysis, primary data is not used.

2) Secondary data

The Secondary data was collected from already published sources such as annual reports of Company, internal records, references from text books and journals relating to financial management.

TOOLS FOR DATA COLLECTION

Annual reports of Mayur Bread are the tool used for collection of data for analyzing the Financial position.

SAMPLING DESIGN Sample size

To study the ratio analysis of the Mayur Bread the study chosen five years period from 2014 to 2018 as sample of study.

TOOLS AND TECHNIQUES USED FOR DATA ANALYSIS

In the report, the financial conduction of the company in all five years of the study period was analyzed and presented in the form of statements and tables, accompanied by respective interpretations.

LIMITATIONS OF THE STUDY

1. The study undertaken of the Mayur Bread includes only ratios as a technique of analysis.
2. This may not reflect the whole financial position of the company.
3. The conclusions drawn from the annual figures provided by the company which may not give accurate financial position.
4. The samples i.e., financial statements are known only for a limited period, i.e. five years.
5. While calculating the percentages, approximations are more to the nearest figures. They may not give true pictures of the study.
6. The performance shown in the project is limited to the data provided by the company. Hence, it is limited to the information provided by them.

COMPANY PROFILE

'Kapil Group' is a conglomerate of over thirty companies managed or owned by Mr. K. Vaman Rao, a Chartered Accountant, his family members and associates of the group companies. The first company started its business in the year 1981. The group is involved in over 24 different types of business activities through over 250 offices, having generated employment to over 12,500 persons and has an annual turnover including chit auction turnover exceeding Rs 2,500 crores as in March 2013.

The group is involved in Chit Funds (Asset Management), Development of lay-out for residential / commercial buildings, Construction, Hotels and serviced apartment, Finance (NBFC), Information technology, Television (news channel), Newspaper, Bakery (factories), Manufacture of PP / HM bags, Printing press, Corporate Insurance Agency, Health and wellness therapy centers, Ayurvedic hospital, Cancer hospital (non-profit), Horticulture, Cultivation of vegetables, Diary, Poultry, Sheep / goat rearing, Telecom infrastructure services, Travel agency, Overseas money transfer agents and Distribution of home / office appliances, health products etc.,

The group serves society through a non-profit 100 bedded cancer hospital set-up in a remote rural area and supports over 350 students to pursue higher education.

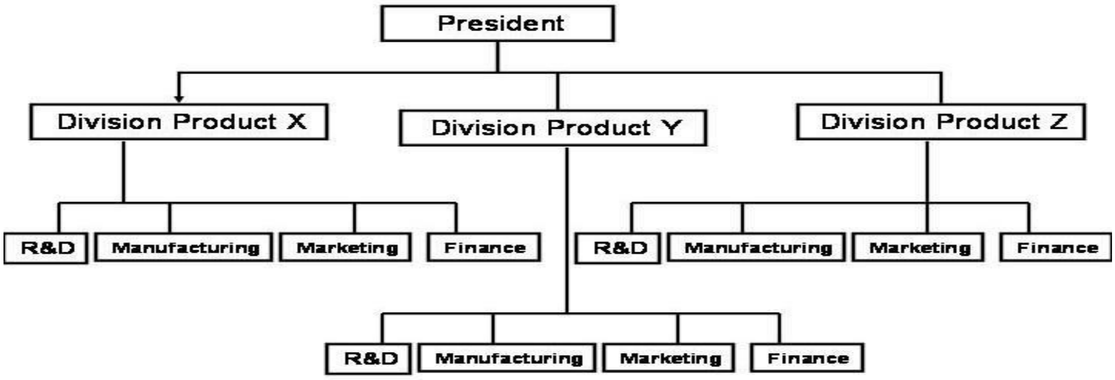
A BRIEF OVERVIEW

To multiply small successes is precisely to build one treasure after another. In time one becomes rich without realizing how it has come about

- Frederick the great (1712-1886).

As a start up in 1981, none of the members who joined together to form Kapil Chit Funds Pvt Ltd could have imagined that the company would grow to be a conglomerate it is today. Our most significant imprint has been in the service sector - offering financial service to our customers through chits, insurance products and loans. We have exposure to the manufacturing sector with our bread manufacturing units and plastic factory.

ORGANIZATION STRUCTURE



Companies in Kapil group

1. Chit Funds
2. Real estate - Layouts
3. Construction
4. Hospitality
5. Information Technology
6. Electronic and Print Media
7. Financial Products
8. Bread (Bakery) Manufacturing
9. Plastics
10. Horticulture, Dairy and Poultry
11. Distribution
12. Health Care
13. Travel

MAYUR BREAD

Kapil group started manufacture of bread and other bakery products in 1987 to serve the needs of rural areas in the districts of Karimnagar, Nizamabad, Adilabad, Warangal, Khammam, Nalgonda, Krishna, Guntur and West Godavari in Andhra Pradesh.. The company initially had a tie up with the "SPENSERS" brand for know-how and technology. Subsequently, in 1988 another factory was set up to manufacture bread, cakes etc under the "MAYUR" BRAND NAME. At present over 1,00,000 loaves are sold, each day under the brand name MAYUR.

RATIO ANALYSIS

Ratio analysis is a widely used tool of financial analysis. It can be used to compare the risk and return relationship of the firms of different sizes. It is defined as the systematic use of ratios to interpret the financial statements so that the strengths and weaknesses of a firm as well as its historical performance and current financial condition can be determined.

"The relationship of one item to another expressed in simple mathematical form is known as ratio."

-Kennedy and Macmillan

MANAGERIAL USES OF RATIO ANALYSIS

- Ratio analysis helps in decision making from the information provided in the financial statements.
- Ratios enable the financial analyst to summarize and simplify the voluminous financial data.
- Ratios are helpful in identifying the problem areas of firm. This will make the management to make necessary corrective measures to improve the results in future.

- Ratio analysis helps to formulate policies for future including the capital expense decisions.
- Ratio analysis is an important tool for both minimizing costs and maximizing revenues and profits.
- Accounting ratios help to measure the profitability of the business by calculating the various profitability ratios. It helps the management to know about the earning capacity of the business concern. In this way, profitability ratios show the actual performance of the business.

LIMITATIONS OF RATIO ANALYSIS

In spite of many advantages, there are certain limitations of the ratio analysis techniques and they should be kept in mind while using them in interpreting financial statements. The following are the main limitations of accounting ratios.

1. Limited Comparability

Different firms apply different accounting policies. Therefore, the ratio of one firm cannot always be compared with the ratio of the other firm. Some firms may value the closing stock on LIFO basis while some other firms may value on FIFO basis. Similarly, there may be difference in providing depreciation of fixed assets or provision for doubtful debts etc.

2. False Results

Accounting ratios are based on data drawn from accounting records. In case that data is correct, then only the ratios will be correct. For example, valuation of stock is based on very high price, the profits of the concern will be inflated and it will indicate a wrong financial position. The data, therefore, must be absolutely correct.

3. Effect of Price Level Changes

Price level changes often make the comparison of figures difficult over a period of time. Changes in price affect the cost of production, sales and also the value of assets. Therefore, it is necessary to make proper adjustment for price-level changes before any comparison.

4. Qualitative Factors are Ignored

Ratio analysis is a technique of quantitative analysis and thus, ignores qualitative factors, which may be important in decision making. For example, average collection period may be equal to standard credit period, but some debtors may be in the list of doubtful debts, which is not disclosed by ratio analysis.

CURRENT RATIO

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

YEAR	CURRENT ASSETS	CURRENT LIABILITIES	RATIOS
2014-15	301584988	228063119	1.32
2015-16	342303730	246815848	1.38
2016-17	254268735	147959830	1.71
2017-18	264582855	240651128	1.09
2018-19	268583954	224742164	1.19

INTERPRETATION:

But the current ratio shows that the firm is not utilizing its financial resources properly and large amount of funds were blocked in the current assets results in decreasing prodigality position of the company .In the year 2011-012 the ratio is increased to 1.71. But in the year 2017-18, the ratio is decreased to 1.09.

QUICK RATIO

$$\textbf{Quick Ratio} = \frac{\text{Liquid/Quick Assets}}{\text{Current Liabilities}}$$

YEARS	QUICK ASSETS	CURRENT LIABILITIES	RATIOS
2014-15	301584988	228063119	1.32
2015-16	342303730	246815848	1.39
2016-17	254269735	147959830	1.72
2017-18	264582855	240651128	1.10
2018-19	268583954	224742164	1.20

INTERPRETATION:

As a conventional rule, quick ratio be 1:1 the above data of Mayur Bread reveals that quick ratio in the year 2013-14 was 1.20:1 which is above the conventional rule it says that a large amount of funds was locked in quick assets where the company is not generating by revenue or return on those assets in effect the profit abilities of the company is affected with the excess of quick assets over there quirked in the next year has put its efforts to decrease the ratio where ratio come up to 1.72:1 is good when compared with previous year ratio.

CASH RATIO

$$\textbf{Cash Ratio} = \frac{\text{Cash and Bank balances}}{\text{Current Liabilities}}$$

YEAR	CASH AND BANK BALANCE	CURRENT LIABILITIES	RATIOS
2014-15	10794080	228063119	0.05
2015-16	23853859	246815848	0.10
2016-17	13219009	147959830	0.09
2017-18	12535001	240651128	0.05
2018-19	17231559	224742164	0.08

INTERPRETATION:

The cash ratio is not satisfactory. The ratio is 0.08 in the year 2018-19 and the ratio was 0.10 in the year 2015-16 which indicates the firm is maintaining low cash balance then required. Later the ratio decreased to 0.05 in the year 2017-18.

DEBT-EQUITY RATIO:

$$\textbf{Debt-Equity Ratio} = \frac{\text{Long term debts}}{\text{Equity shareholders funds}}$$

YEAR	DEBT	EQUITY	RATIO
2014-15	251339014	154785324	1.62
2015-16	318449871	175266750	1.82
2016-17	254269735	193352980	1.32
2017-18	26957014	209376725	0.13
2018-19	290789895	163198122	1.78

INTERPRETATION:

The above table shows debt equity ratio Mayur Bread when the firm capital mix contain external source of finance which base fixed interest per annum and the equity share capital, the company said to be leveraged.

As a convention rule of the firm, debt equity ratio should be 1:1. Here for the Mayur Bread in the year 2018-19 DEBT EQUITY RATIO was 1.62:1 which is somewhat higher when compared to conventional rule. Later it increased to 1.82 in the 2015-16 when compare 2015 and further decreased to 0.13 in the year 2018

WORKING CAPITAL TURNOVER RATIO

$$\textbf{Working capital turnover Ratio} = \frac{\text{Working capital}}{\text{Net sales}}$$

YEARS	WORKING CAPITAL	NET SALES	RATIO
2014-15	84798419	256298405	0.33
2015-16	115341735	320593118	0.36
2016-17	172710681	394913838	0.44
2017-18	52107036	396037255	0.13
2018-19	65478838	268885007	0.24

Source: It has been collected from financial statements from mayur bread

INTERPRETATION:

Here the above table shows the working capital turnover ratio in the year 2018 it was 0.24 and further it increased to 0.44 in the year 2016-17 and later year it further decreased to 0.13 in the year 2014.

NET PROFIT RATIO:

$$\textbf{Net profit Ratio} = \frac{\text{Net profit}}{\text{Net sales}}$$

YEARS	NET PROFIT	NET SALES	RATIO
2014-15	7234584	256298405	0.03
2015-16	625901	320593118	0.001
2016-17	8638802	394913838	0.02
2017-18	22171199	396037255	0.06
2018-19	6033171	268885007	0.02

Source: It has been collected from financial statements from mayur bread.

INTERPRETATION:

The ratio in the 2018 was 0.02. The ratio increased further in year 2015 to 0.03 and then later year by year decreased to 0.001 in 2015-16 and it increased in year 2017-18 to 0.06.

CONCLUSIONS

1. From the study I concluded that the current ratio performance is very good, and we see in the view of liquidity from the profitability view the ratio is performance was not satisfactory. Company was making idle investments in inventory.
2. From the study I concluded that quick ratio performance was not satisfactory. Company is making too much idle investments in inventories than required.
3. It is found from the study that the cash balances are insufficient for the payments to short term obligations. So I concluded that the each management performance was not satisfactory.
5. From the study I concluded that the firm is efficient in converting debtors to cash. The debtor turnover ratio is high and debtors are turning up in every 8 to 10 days. Hence we can conclude that the performance of the company in managing the debtors was satisfactory
6. From the above study I conclude that the company was effectively utilizing the funds and performance was satisfactory.
7. It is concluded from the above study that firm's profitability position is increasing compared to the previous year. The forms consistently maintain this performance is in the next year.

Working Capital Management on Vodafone Idea Karimnagar

STUDENT STUDY PROJECT SUBMITTED TO THE COMMISSIONER OF COLLEGIATE EDUCATION, Hyderabad

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INTRODUCTION

Financial management refers to that part of the management activity which is concerned with the planning and controlling of firms' financial resources. In other words, financial management can be defined as the process of rising, providing and administrating of all money funds to be used in a business enterprise.

It deals with finding out various sources for raising funds for the firm. The source must be suitable and economical for the needs of the business. The most appropriate use of such funds also forms a part of financial management.

DEFINITIONS

"That business activity which is concerned in meeting the financial needs the overall objectives of business enterprise."

-Wheeler

"Financial management is an area of financial decision-making, harmonizing individual motives and enterprise goals".

-Weston and Brigham

"Financial management is concerned with the efficient use of an important economic resource, namely, capital funds."

-Solomon

"Financial management is the application of the planning & control functions of the finance function."

-Howard & Upton

Definition of 'Working Capital Management'

The amount required for taking decisions relating to fulfill the purpose of short-term investment in the business such as purchasing of raw materials, wages to be paid and other activities for maintain or running day to day transactions. To carry out operation, the funds used are known as "WORKING CAPITAL".

Implementing an effective working capital management system is an excellent way for many companies to improve their earnings. The two main aspects of working capital management are ratio analysis and management of individual components of working capital.

A few key performance ratios of a working capital management system are the working capital ratio, inventory turnover and the collection ratio. Ratio analysis will lead management to identify areas of focus such as inventory management, cash management, accounts receivable and payable management.

Working capital (abbreviated WC) is a financial metric which represents operating liquidity available to a business, organization or other entity, including governmental entity. Along with fixed assets such as plant and equipment, working capital is considered a part of operating capital. Gross working capital equals to current assets. Net working capital (NWC) is calculated as current assets minus current liabilities. It is a derivation of working capital, that is commonly used in valuation techniques such as DCFs (Discounted cash flows). If current assets are less than current liabilities, an entity has a working capital deficiency, also called a working capital deficit.

A company can be endowed with assets and profitability but short of liquidity if its assets cannot readily be converted into cash. Positive working capital is required to ensure that a firm is able to continue its operations and that it has sufficient funds to satisfy both maturing short-term debt and upcoming operational expenses. The management of working capital involves managing inventories, accounts receivable and payable, and cash.

NEED OF THE STUDY:

The project work is done for analyzing the financial position of the Vodafone Idea. The analysis of the financial position gives a better picture of the financial position of the organization in order to take better decisions.

Working capital guides the board and the management to pursue objectives that are in the interests of the company.

The study is also beneficial to employees and offers motivation by sharing how they are contributing for the company's growth.

This study is also beneficial to top management of the company by providing relevant information regarding important aspects like current assets, current liabilities and liquidity position.

OBJECTIVE OF THE STUDY:

- To evaluate the working capital requirements of the organization over the last six years.
- To evaluate the profitability of the Vodafone Idea.
- To examine the liquidity performance of the Vodafone Idea.
- To examine the efficiency in the utilization of finance which the firm manager utilized assets.
- To suggest the steps to be taken to increase the efficiency in management of working capital.
- To study proper mix of short term and long term financing for current assets.
- **SCOPE OF THE STUDY:**
- The present study will reveal the financial performance of the company covering purely financial data supplied by the company's financial statements through working capital management. The working capital is an analyzed financial data along with interpretation.

METHODOLOGY:

Methodology is a systematic procedure of collecting information in order to analyze and verify a phenomenon.

SOURCE OF DATA

The collection of data is done through two principle sources viz.,

1) Primary data

2) Secondary data

1) Primary data:

It is the information collected directly without any reference. In the study, it mainly interviews the concerned officers and staffs either individually or collectively.

Some of the information had been verified or supplemented with personnel interview with the officers of the Vodafone Idea.

2) Secondary data:

The secondary data was collected from already published sources such as annual reports, internal records, references from text books and journals relating to financial management and company.

LIMITATIONS OF THE STUDY

- The study is based mainly on secondary data.
- Since the study is confined to only few aspects like loans and advances, so the overall performance of the company cannot be measured accurately.
- Here, the calculations are approximated.
- The accuracy of the results is subjected to the accuracy of the data furnished by the annual reports.

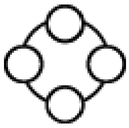
COMPANY PROFILE

Vodafone Idea Limited is an Aditya Birla Group and Vodafone Group partnership. The Company provides pan India Voice and Data services across 2G, 3G and 4G platform. With the large spectrum portfolio to support the growing demand for data and voice, the company is committed to deliver delightful customer experiences and contribute towards creating a truly 'Digital India' by enabling millions of citizens to connect and build a better tomorrow. The Company is developing infrastructure to introduce newer and smarter technologies, making both retail and enterprise customers future ready with innovative offerings, conveniently accessible through an ecosystem of digital channels as well as extensive on-ground presence. The Company is listed on National Stock Exchange (NSE) and BSE in India.

Our Mission

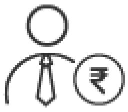
Customers

Be the most loved brand by continuously raising the bar in delivering simple, delightful experience and meaningful innovations, through new age technologies



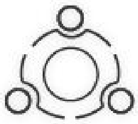
Team

Be an inspirational, agile and exciting organisation that challenges the status quo, and champions a diverse team that has a winning attitude and thrives on delivering customer excellence



Shareholders

Be the most valued company through smart leadership committed to delivering sustainable growth, while adhering to the highest standards of governance and compliance



Community

Be the most respected company by leveraging technology and purposeful innovation to catalyze social prosperity, digital literacy and inclusivity

Our Values

Our values embody the spirit of our brand. They serve as the guiding principles for our every thought and action

Speed

We act with SPEED. Always. Procrastination is our enemy

Digital

We choose to be DIGITAL - FIRST, to make things simple for ourselves and our customers

Trust

We are straightforward and open in all that we do, to build a culture that fosters TRUST

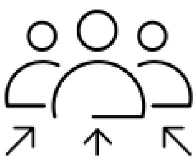
Bold

We always adopt a BOLD outlook and are not afraid of failure

Passion

We act with PASSION for our brand and our customers

Our Offerings

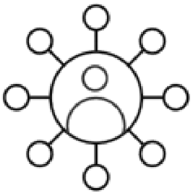


Consumer

Welcome to the world of Vodafone Idea Limited, where our millions of customers are at the heart of everything that we do.

We use the power of technology to enhance our customers' lives – through ubiquitous presence and connectivity through our PAN India urban and rural coverage, a continuously expanding 4G LTE network, integrated worry free propositions and some of the best entertainment on mobile – all packaged into a completely unmatched customer experience.

Our innovative and truly differentiated offerings – be it our Prepaid Unlimited propositions, RED Postpaid plans, Truly Unlimited International Roaming products and many others - reflect the passion with which we aim to serve our customers, always!



Enterprise

Vodafone Idea Business Services is committed to being the most trusted and valued partner helping businesses succeed in a digital world. Our Total Communications solutions empower global and Indian corporations, public sector & government bodies, small & medium enterprises and start-ups.From market-leading Enterprise Mobility, robust Connectivity and world-class IoT Solutions, to superior Business Communication & Cloud and insightful Business Analytics & Enabling Solutions, we bring the smartest and newest technologies to serve businesses in the digital era.Our global expertise and deep local knowledge makes us the preferred digital enablement partner of enterprises across India. No matter which sector you operate in and regardless of your size and scale, business is better when we are together.

FINANCIAL MANAGEMENT

Financial Management is that managerial activity which is concerned with the planning and controlling of the firms financial resources.

Financial management focuses on finance manager performing various tasks as **Budgeting, Financial Forecasting, Cash Management, Credit Administration, Investment Analysis, Funds Management**, etc. which help in the process of decision making.

Financial management includes management of assets and liabilities in the long run and the short run.

The management of fixed and current assets, however, differs in three important ways: Firstly, in managing fixed assets**, time** is very important; consequently discounting and compounding aspects of time element play an important role in capital budgeting and a minor one in the management of current assets. Secondly, the large holdings of current assets, especially **cash**, strengthen firm's liquidity position but it also reduces its overall profitability. Thirdly, the level of fixed as well as current assets depends upon the expected **sales**, but it is only the current assets, which can be adjusted with sales fluctuation in the short run.

Here, we will be focusing mainly on management of current assets and current liabilities. Management of current assets needs to seek an answer to the following question:

1. Why should you invest in current assets?
2. How much should be invested in each type of current assets?
3. What should be the proportion of short term and long-term funds to finance the current assets?
4. What sources of funds should be used to finance current assets?

CONCEPT OF WORKING CAPITAL

Working Capital Management is the process of **planning** and **controlling** the level and mix of current assets of the firm as well as financing these assets. Specifically, Working Capital Management requires financial managers to decide what quantities of cash, other liquid assets, accounts receivables and inventories the firm will hold at any point of time.

Working capital is the capital you require for the working i.e. functioning of your business in the short run.

Gross working capital refers to the firm's investment in the current assets and includes cash, short term securities, debtors, bills receivables and inventories.

It is necessary to concentrate on the fact that the investment in the current assets should be neither excessive nor inadequate.

WC requirement of a firm keeps changing with the change in the business activity and hence the firm must be in a position to strike a balance between them. The financial manager should know where to source the funds from, in case the need arise and where to invest in case of excess funds.

Meaning And Nature Of Working Capital Management

The management of working capital is concerned with two problems that arise in attempting to manage the current assets, current liabilities and the inter relationship that asserts between them.

The basic goal is working capital management is to manage current assets and current liabilities of a firm in such a way that a satisfactory of optimum level of working capital is maintained i.e. it is neither inadequate nor excessive. This is so because both inadequate as well as excessive working capital position is bad for business.

Format of Working Capital

Particulars	Amount	Amount
Current Assets		
Stock		
Raw Material (At R.M. cost)	××	
Work in Progress		

Raw Material [100%]	××	××	
Labour [50%]	××	××	
Overheads [50%]	××	××	
Finished Goods (Total Cost)		××	
		××	××
Debtors [At Selling Price]			
Cash/Bank [Given]			
		××	
Prepaid Expenses [Given]			
		××	
			××
Total Current Assets **(A)**			
		××	
Current Liabilities			
Creditors [R.M. Cost]			
Outstanding Wages [Labour Cost]			
Outstanding Overheads [O/H Cost]			
Total Current Liabilities**(B)**			
Working Capital			××

WORKING CAPITAL ANALYSIS

1. OPERATING CYCLE ANALYSIS

Operating cycle refers to the time period which starts from the raw material purchases and ends with realization of receivable. So it is total time gap between raw material purchases to total debtors' collection. This is also known as working capital cycle. Operating cycle is therefore expressed in terms of months or weeks or days. The higher the operating cycle period, higher the working capital requirement. It comprises of raw material conversion period, WIP conversion period, FG conversion period and debtors' conversion period and creditors period. The basic reason for calculating operating cycle is to find out the means for reducing the duration of operating cycle because if duration of operating cycle will be less than working capital requirement will be less.

OC = R + W + F + D – C

Where,

R = raw material conversion period W = work in process period

F = finished goods conversion period D = debtor collection period

C = creditors payment period

Working capital (abbreviated **WC**) is a financial metric which represents operating liquidity available to a business, organization or other entity, including governmental entity. Along with fixed assets such as plant and equipment, working capital is considered a part of operating capital. Net working capital is calculated as current assets minus current liabilities. It is a derivation of working capital, that is commonly used in valuation techniques such as DCFs (Discounted cash flows). If current assets are less than current liabilities, an entity has a working capital deficiency, also called a working capital deficit.

Business Capital is broadly divided into two groups: Fixed Capital and Working Capital. Fixed Capital refers to the funds invested in fixed assets of a firm in the form of land, building, machinery etc. Working Capital refers to the funds invested in the current assets of a firm such as raw materials, work-in-progress, finished goods, receivables, cash etc. From the viewpoint of manufacturing process, working capital means that part of capital, which is required to keep the flow of production smooth and continuous.

The main point of difference between the fixed capital and working capital is that : Fixed assets are of long run duration and are not converted within a period of one year, whereas the current assets are converted into cash within a period of one year or less. Hence, the problem of fixed assets belongs to the field of capital budgeting, while the problems of current assets belong to the field of working capital management.

Working Capital, being lifeblood for any enterprise, its management becomes a crucial exercise for the Financial Manager of a firm. The need of working capital is directly linked to the growth of the firm. Working Capital is as essential as fixed assets in the successful operation of a production unit.

In the past, only the problems of the management of fixed capital were given importance in the exercise of financial management. But in the present scenario, looking to the increasing importance of the working capital in any business unit, the exercise of management of working capital has become as much important for a financial manager as the management of fixed capital.

Some authors go the extent of saying that financial management means working capital management. Even if this extreme view is regarded as unacceptable, there is no doubt that a large part of a financial manager's time and energy is used up in attending to the problems of working capital management.

The exercise of working capital management covers the following points to be considered:

1. Estimating the working capital needs
2. Procurement of working capital
3. Optimum utilization of working capital

A company can be endowed with assets and profitability but short of liquidity if its assets cannot readily be converted into cash. Positive working capital is required to ensure that a firm is able to continue its operations and that it has sufficient funds to satisfy both maturing short-term debt and upcoming operational expenses. The management of working capital involves managing inventories, accounts receivable and payable, and cash.

WORKING CAPITAL MANAGEMENT

Working capital management involves the relationship between a firm's short-term assets and its short-term liabilities. The goal of working capital management is to ensure that a firm is able to continue its operations and that it has sufficient ability to satisfy both maturing short-term debt and upcoming operational expenses. The management of working capital involves managing inventories, accounts receivable and payable, and cash.

Working Capital management refers to the administration of all aspects of current assets namely cash, marketable securities, debtors and stock (inventories) and current liabilities. The financial manager should determine levels and composition of current assets. He must see that right sources are tapped to finance current assets and that current liabilities are paid in time.

Working capital management is critical for all firms, but particularly for small firms. A small firm may not have much investment in fixed assets, but it has to invest in current assets. Further, the role of current liabilities in financing the current assets is far more significant in case of small firms, as, unlike large firms they, face difficulties in raising long-term finances.

The main problems of the management of working capital are as stated below:

a. To determine a proper amount of working capital to be held in the business i.e. estimating the working capital needs

b. To take decision on the sources of working capital i.e. procurement of working capital

c. To ensure that the working capital is efficiently utilized i.e. optimum of utilization of working capital

d. CHAPTER-IV

DATA ANALYSIS&INTERPRETATION

Schedule of changes in working capital statement for the year 2017-2018

Particulars	2017 Rs In cr	2018 Rs. In cr	Changes in Working capital	
			Increase Rs. In cr	Decrease Rs. In cr
CURRENT ASSETS				
Inventories	92.57	72.64		19.93
Sundry debtors	822.7	960.08	157.38	
Cash and bank balances	172.07	162.91		9.16
Loans & advance	1740.34	1085.4		454.94
A. Total Current Assets:	**2607.68**	**2261.02**		
CURRENT LIABILITIES				
Other current liabilities	4817.37	5677.3		861.93
Short term provisions	7.27	144.85		137.58
B. Total Current Liabilities	**4822.64**	**5802.16**		
Net working Capital (A-B)	-2216.96	-3541.14		-1726.16
Decrease in Working Capital		1526.16		
TOTAL	-2216.96	-2216.96	157.38	157.38

INTERPRETATION:

1. The inventories are decreased to Rs. 72.64 Corers when compared to the previous year.
2. Sundry debtors are increased by Rs. 157.38 Corers Cash at bank is decreased by Rs. 9.16 Corers
3. The Net Working Capital decreased by Rs. 1526.16 Corers due to increase in current liabilities.
4. Current liabilities are increased to Rs 5802.16 Corers when compared to the previous year.

Schedule of changes in working capital statement for the year 2018-2019

Particulars	2018 Rs In cr	2019 Rs. In cr	Changes in Working capital	
			Increase Rs. In cr	Decrease Rs. In cr
CURRENT ASSETS				

Inventories	72.64	68.31		4.33
Sundry debtors	960.08	800.62		179.46
Cash and bank balances	162.91	188.1	45.19	
Loans & advances	1085.4	1421.61	156.21	
A. Total Current Assets:	**2261.02**	**2278.64**		
CURRENT LIABILITIES				
Other current liabilities	5677.3	5973.08		295.78
Short term provisions	144.85	187.69		62.84
B. Total Current Liabilities	**5802.16**	**6160.77**		
Net working Capital (A-B)	-3541.14	-3882.15		-341.01
Derease in Working Capital	-341.01			
TOTAL	-3882.15	-3882.15	181.4	181.4

INTERPRETATION:

1. The inventories are decreased by Rs. 4.33 Corers when compared to the previous year.
2. Sundry debtors are decreased by Rs. 179.46 Corers Cash at bank is increased by Rs. 45.19 Corers
3. The Net Working Capital decreased to Rs. 3882.15 Corers due to increase in current assets.
4. Current liabilities are increased to Rs 6160.77 Corers when compared to the previous year.

Schedule of changes in working capital statement for the year 2019-2020

Particulars	2019	2020	Changes in Working capital

	Rs. In cr	Rs. In cr	Increase Rs. In cr	Decrease Rs. In cr
CURRENT ASSETS				
Inventories	68.31	71.03	2.72	
Sundry debtors	800.62	978.91	178.29	
Cash and bank balances	188.1	1753.72	1565.62	
Loans & advances	1421.61	1535.16	135.55	
A. Total Current Assets:	**2278.64**	**3938.83**		
CURRENT LIABILITIES				
Other current liabilities	5973.08	6838.02		864.94
Short term provisions	187.69	302.15		136.44
B. Total Current Liabilities	**6160.77**	**7160.16**		
Net working Capital (A-B)	-3882.15	-3201.33		680.8
Increase in Working Capital	680.8			
TOTAL	-3201.33	-3201.33	1660.18	1660.18

INTERPRETATION:

1. The inventories are increased by Rs. 2.72 Corers when compared to the previous year.
2. Sundry debtors are increased by Rs. 178.29 Corers Cash at bank is increased by Rs. 1565.62 Corers
3. The Net Working Capital increased to Rs. 680.3 Corers due to increase in current assets.
4. Current liabilities are increased to Rs 7160.167 Corers when compared to the previous year

Schedule of changes in working capital statement for the year 2015-2016

Particulars	2020 Rs In Lakhs	2021 Rs. In Lakhs	Changes in Working capital	
			Increase Rs. In Lakhs	Decrease Rs. In Lakhs
CURRENT ASSETS				
Inventories	53.64	65.92	14.28	
Sundry debtors	465.56	555.71	90.17	
Cash and bank balances	289.99	457.74	167.75	
Loans & advances	2853.83	1098.98		1754.85
A. Total Current Assets:	**3663.02**	**2178.36**		
CURRENT LIABILITIES				
Other current liabilities	3844.72	5,139.02		1474.3
Short term provisions	223.26	6.71	216.55	
B. Total Current Liabilities	**4067.98**	**5145.73**		
Net working Capital (A-B)	-404.96	-2947.37		-2542.41
Decrease in Working Capital	-2542.37			
TOTAL	-2947.33	-2947.37	486.73	486.74

INTERPRETATION:

1. The inventories are increased to Rs. 65.92 Corers when compared to the previous year.
2. Sundry debtors are increased by Rs. 90.17 Corers
3. Cash at bank is increased by Rs. 167.75 Corers
4. The Net Working Capital decreased by Rs. 2542.37 Corers due to increase in current assets.
5. Current liabilities are increased to Rs. 5145.73 Corers when compared to the previous year.

Schedule of changes in working capital statement for the year 2020-2021

Particulars	2020 Rs In cr	2021 Rs. In cr	Changes in Working capital	
			Increase Rs. In cr	Decrease Rs. In cr
CURRENT ASSETS				
Inventories	65.92	92.57	26.65	
Sundry debtors	555.71	822.7	266.99	
Cash and bank balances	457.74	172.07		305.67
Loans & advances	1098.98	1740.34	441.36	
A. Total Current Assets:	**2178.36**	**2607.68**		
CURRENT LIABILITIES				
Other current liabilities	5,139.02	4817.37	303.65	
Short term provisions	6.71	7.27		0.56
B. Total Current Liabilities	**5145.73**	**4822.64**		
Net working Capital (A-B)	-2947.37	-2216.96		732.41
Increase in Working Capital	732.41			
TOTAL	-2216.96	-2216.96	1038.65	1038.64

INTERPRETATION:

1. The inventories are increased to Rs. 65.92 Corers when compared to the previous year.
2. Sundry debtors are increased by Rs. 90.17 Corers
3. Cash at bank is increased by Rs. 167.75 Corers
4. The Net Working Capital decreased by Rs. 2542.37 Corers due to increase in current assets.
5. Current liabilities are increased to Rs. 5145.73 Corers when compared to the previousyear.

FINDINGS

1. The inventories are fluctuating from 2017-2021 i.e., Rs. 65.92, 92.57, Rs. 72.64, Rs. 4.33 and Rs. 2.72.
2. Sundry debtors are increased by Rs. 266.99 Corers in the year 2021 and Rs. 157.38 Corers in 2017 and decreased by Rs. 9.16 Corers in 2018 decreased by Rs. 179.46 Corers and they are increased by Rs. 178.29 in 2019 last they are increased by Rs. 90.17 Corers in 2020
3. Cash at bank is decreased by Rs. 305.67 Corers in 2016, increased by Rs. 167.75 Corers in 2017, increased by Rs. 45.19 Corers in 2018 and increased by Rs. 1565.62 Corers in 2020.
4. The Net Working Capital continuously decreased from 2016,2017, 2019 respectively Rs.2542.37, Rs. 1526.16, Rs. 3882.15, Rs. 680.3 and increased in 2018 and 2021 respectively by Rs. 732.41.
5. Current liabilities are fluctuating from 2016-20 i.e., Rs. 5145.73 Corers, Rs. 4822.64 Corers, Rs 5802.16, Rs 6160.77 and Rs 7160.167 Corers

CONCLUSIONS

- By conducting the study about working capital management, I found out that working capital management of Vodafone Idea is average.
- Vodafone Idea has sufficient funds to meet its current obligation sometimes, which is due to somewhat sufficient profits and efficient management of Vodafone Idea.
- The amount of stock is increasing per year, which is a good sign, as it would help them in the tough competition coming ahead.
- Firm profitability can be increase by shortening accounts receivables and inventory periods.

SUGGESTIONS

- Management should make the proper use of inventory control techniques like fixation of minimum, maximum and ordering levels for all the items for less blockage of money.
- The company should train its work force properly, which would enable the company to utilize its resources properly and in the interim help in minimizing wastage, and hence result in the expansion of its market share.
- Due to competition, prices are market driven and for earning more margin company should give the more concentration on cost reduction by improving its efficiency.
- The investments of surplus funds made by the corporate office and the units are not generally involved while taking decisions with regard to structure of investment of surplus funds. The corporate office should involve the units to better ascertain the future requirements of funds and accordingly the investments made in different securities.
- The company is losing its overseas customers due to decrease in exports so; the sufficient amount of exports should the maintained.
- The working capital of the company is fluctuating from 2016-19 in negative trend. It is a bad sign for the company. It has to take collective measures to recover it.

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A STUDY ON

CAPITAL BUDGETING TECHNIQUES OF MRF TYRES KARIMNAGAR

STUDENT STUDY PROJECT SUBMITTED TO THE COMMISSIONER OF COLLEGIATE EDUCATION, Hyderabad

Under the
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INTRODUCTION

AN OVERVIEW OF FINANCIAL MANAGEMENT

Evolution of financial management:-

Financial management emerged as distinct field of study at the turn of the 20 century. Its evolution may be divided into three broad phases.

Traditional phase:-

It begins the early 1940s and continued through the early 1950s. Though the nature of financial management during this phase was similar to that of the traditional phase, greater emphasis was placed on the day-to-day problems faces by financial managers in the areas of funds analysis, planning and control. The focus shifted to working capital management.

Modern phase:-

It begins in the mid 1950s and has witnesses an accelerated pace of development with the infusion of ideas from economic theory and application of quantitative methods of analysis. Their central concern of financial management is considered to be a rational matching of funds to their uses so to maximize the wealth of current shareholders.

Financial management is service activity, which is associated with providing quantitative information, of financial nature and that which may be needed for making economic decision regarding the choice among alternative course of actions.

Thus financial management process of identification, accumulation, analysis, preparation, interpretation and communication of financial and control a business firm.

Definitions:-

"Financial management is an area of financial decision –making harmonizing individual motives and enterprise goals"

Weston and Brigham

"Financial management is the application of the planning and control functions to the finance functions"

Howard and Upon.

CAPITAL BUDGETING:

The Management Accountant is also usually the Finance Manager and is responsible for Financial Management of the organization. The objective of financial management is to maximize the wealth of its shareholders. The Finance Manager has to take various decisions towards meeting this objective. He is well aware that he has limited resources at his disposal. He needs to ensure that they are utilized in a manner such that the organization derives maximum value from such scarce resources.

Capital budgeting decisions are related to allocation of investible funds to different long-term assets. They have long-term implications and affect the future growth and profitability of the firm. For example, the decision to acquire special equipment may require a large immediate outlay of funds. In evaluating investment proposals, it is important to carefully consider the expected benefits of investment against the expenses associated with it.

NEED FOR THE STUDY:

Capital budgeting is one of the techniques which help to decide the investment criteria, and helps in estimating the recovery period of investment. It helps us to evaluate the existing investment proposals and choosing the best one which gives maximum profit and recoverable in less period of time.

OBJECTIVES OF THE STUDY:

The following are the main objectives of present study.

1. To understand the importance of capital budgeting methods in investment decision making.
2. To know the different types of investment proposals of the company.
3. To evaluate the performance of the organization over the last 5 years.
4. To evaluate the profitability position of the company.
5. To offer suitable conclusions and suggestions for the better improvement of the investment pattern of the company.

SCOPE OF THE STUDY

The analysis of capital budgeting techniques deals with the finance department of organization. It includes the techniques and methods implemented by the organizations. The present study covers the investment methods followed by the company.

RESEARCH METHODOLOGY

The data required for the study based on the secondary source only. This includes the information gathered from annual reports of the company, text books, company manuals and company websites. The data used for this study is only the Secondary data.

Sample size:

The sample size selected is of five years.

Statistical Analysis:

Information collected was classified and tabulated for further analysis. Calculations were done for the interpretation of the data e.g. Discount factor, Averages, etc. The report is covered with various data and tables on which the project has been carried out.

Sources Of Data

Primary data

Data used in research originally obtained through the direct efforts of the researcher through surveys, interviews and direct observation.

Primary data is collected for the personal instructions with the employees. Which not previously existed.

Secondary data

Secondary data is the data that have been already collected by and readily available from other sources.

The data is collected from secondary sources only.
The Efficient data collected from the company manuals, annual reports, and accounts for the relevant years, websites, text books etc.

LIMITATIONS OF THE STUDY:

The limitations faced during the summer course are:-

1. The current study based on only the secondary data, no primary data was used.
2. As this is a general study, hypothesis could not be drawn.
3. Some executives could not offer sufficient time, because of their busy schedule.

4. Only five years data has been used to evaluate the capital budgeting performance of the company.

5. While calculating the values fractions are ignored and adjusted to their nearest values.

6. As the policy of confidence, they don't disclose the complete financial information.

COMPANY PROFILE

MRF (Madras Rubber Factory) is India’s No.1 tyre manufacturing company. It was started in the year 1946 by K M Mammen Mappillai as a small toy balloon unit. Much later in November 1960 it ventured into manufacturing of tyres. The company entered into a technical collaboration with Tire & Rubber company, USA.

In 1964 MRF established an overseas office at Beirut, Lebanon to tap the export market. This was amongst India’s very first efforts on tyre exports. In 1989 the company collaborated with US-based Hasbro International, the world’s largest toy maker and launched Funskool India. In the same year it entered into a pact with Vapocure of Australia to manufacture polyurethane paint formulations and with Pirelli for Muscleflex conveyor and elevator belting.

Currently MRF exports tyres to over 65 countries including America, Europe, Middle East, Japan, and the Pacific region. It presently has overseas offices in Dubai, Vietnam and Australia.Madras Rubber Factory was started by K. M. Mammen Mappillai as a toy balloon manufacturing unit in 1946 at Tiruvottiyur, Madras (now Chennai). In 1952, the company ventured into the manufacture of tread rubber. Madras Rubber Factory limited was incorporated as a private company in November 1960 and ventured into manufacture of tyres in partnership with Mansfield Tire & Rubber company based in Ohio, USA. The company went public on 1 April 1961 and an office was established in Beirut, Lebanon to develop the export market in 1964 and its current logo of the muscleman was born. In 1967, it became the first Indian company to export tyres to USA.

In 1973, MRF started manufacturing Nylon tyres for the first time. The Company entered into with a technical know-how collaboration with B.F. Goodrich in 1978. The Mansfield Tire & Rubber Co sold out is share in 1979 and the name of the company was changed to MRF Ltd in the year. The company finalized a technical collaboration agreement with Marangoni TRS SPA, Italy for the manufacture of pre-cured tread rubber for retreading industry. MRF tyres supplied tyres to Maruti 800, India's first modern small car.

In 1989, the company collaborated with Hasbro International USA, the world's largest toy maker and launched Funskool India. Also, they entered into a pact with Vapocure of Australia to manufacture polyurethane paint formulations and with

Italian tyre manufacturer Pirelli for conveyor and elevator belt manufacture. During the year 2004-05, the product range of the company expanded with Go-kart & rally tyres and tyres for two/three wheelers.

SWOT ANALYSIS

Strengths

1. Company has remained in no.1 position in tyre industry and was the first to reach annual turnover of Rs. 5000 Crore in India
2. They have 6 manufacturing facilities in India (all in south) in proximity of rubber belt of India, with sales network divided in 4 zones; east(14), west (23), south(33) and north(27 dealers)- very strong and developed distribution network.
3. Good export market with company exporting tyres and conveyor belts to 65 countries
4. Complete product portfolio with tyres for all types of vehicles-heavy duty vehicles, SUVs, small & luxury cars, two & three wheelers, conveyor belts, paints & coats and pretreads.
5. It enjoys strong brand equity and loyalty of customers.
6. Company is willing to take innovative measures to suit different terrains of India.
7. Strong financial position
8. Diversified into Funskool, MRF Pace Foundation, MRF Racing
9. Advertising as India eco-friendly car tyre making company.

Weaknesses

1. Volatility in industrial relations. Ex: the labour unrest
2. Intense competition due to presence of other global brands

Opportunities

1. Emerging markets and growth of automobile industry
2. More tie-ups with Automobile companies as it's mainly into B2B market.
1. 3.Horizontal and concentric Diversification.

Threats

2. 1.Price wars
3. Stiff competition from national and international brands
4. Cheaper technologies
5. Volatility in prices and availability of raw material as india's rubber production is less than its demand.
6. Government Policies w.r.t export duties, import duties, tax levied on automobile industries and economic condition of nation as it determines the sale of automobiles.
7. Introduction of other transport facilities like metro, monorails and local trains keeping pollution hazards caused by combustion of automobile fuels.

FACTS OF MRF TYRES

- In 1961 the Madras Rubber Factory Private Limited was converted into a public company.
- Additional capital was issued in order to start the manufacture of automobile tyres and tubes in collaboration with the Mansfield Tire & Rubber Co., Mansfield, Ohio, U.S.A.
- The Company was given permission to export tyres having Mansfield trade mark to all world markets except U.S.A. and Canada. The Company was identified as `Star Exporter, a status that enables the company to get priority treatment in several areas concerned with customs.
- MRF became the first tyre company in India to cross the INR 10 billion mark in 1993.
- The Company has received the Top Export Award for the year from All India Rubber Industries Association in 1995 and has been receiving the same regularly since then.
- MRF Tyres has signed an OEM (original equipment manufacturer) alliance with various automobile giants.
- Funskool, the No. 1 toy company in India, is a joint venture between MRF tyres and the worlds largest toy company Hasbro Inc., USA.

COMPETITORS OF MRF TYRES

Company	Sales (Rs.Million)	Current Price	Change (%)	P/E Ratio	Market Cap.(Rs.Million)	52-Week High/Low
MRF	131975.80	37020.05	0.91	9.56	155594.60	46405/31190
Apollo Tyres	89378.17	174.60	0.72	10.71	88239.44	223/128
Balkrishna Inds.	37799.06	635.40	1.21	10.70	60682.27	799/551
CEAT	55916.65	1162.20	1.30	10.55	46408.39	1318/597
TVS Srichakra	18959.90	2563.80	-0.10	10.93	19650.67	3249/1600
JK Tyres & Inds.	61252.30	87.90	1.68	4.99	19608.03	131/74
Goodyear India	15791.50	514.40	0.06	11.08	11858.49	668/443
Dunlop India	0.00	10.41	0.00	0.00	1269.84	16/10
Falcon Tyres	11986.64	7.13	0.00	0.00	552.38	14/5
Govind Rubber	3387.06	18.50	1.65	0.00	397.46	27/14
Krypton Industries	363.25	13.35	0.00	45.74	196.21	24/10
Surya Inds Corp	73.78	13.95	0.00	15.68	130.15	22/9
Tirupati Tyres	6.76	33.00	-2.80	67.97	116.91	145/28

DATA ANALYSIS & INTERPRETATION

PAY BACK PERIOD

Payback period is the time duration required to recoup the investment committed to a project. Business enterprises following payback period use "stipulated payback period", which acts as a standard for screening the project.

a) **When annual inflows are equal** In this case, the cash inflows being generated by a proposal are equal for all time periods.

$$PBP = \frac{intial\ cash\ outflow}{annual\ cash\ inflow}$$

b) When the annual cash inflows are unequal In case the cash inflows from the proposal or not equal, we need to calculate the cumulative cask flows. The payback period is calculated by assuming that the cash flows in the year accrue uniformly across the year (i.e. cash flow is proportional to time, rather than the entire amount being received in one or two installments).

$$PBP = Base\ year + \frac{cash\ outlay - CCI\ of\ base\ year}{next\ year\ cash\ inflow}$$

Where,

Base year= the year in which the total cost of the project expected to be recovered

CCI of base year= cumulative cash inflow of base year.

Payback Reciprocal Rate The payback period is stated in terms of years. This can be stated in terms of percentage also. This is the payback reciprocal rate.

- Reciprocal of payback period = [1/payback period] x 100

(Rs. In Crores)

Year	EBT&D	(-) Tax	EBT&D	(+) Depreciation	CASH FLOWS
2016-17	26,217.00	5,327.00	20,890.00	11,232.00	32,122.00
2017-18	28,763.00	5,929.00	22,834.00	11,201.00	34,035.00
2018-19	31,114.00	6,296.00	24,818.00	11,547.00	36,365.00

2019-20	3,4102.7	1,019.00	35121.7	7347.6	27774.1
2020-21	25,408.00	5,226.00	20,182.00	12,401.00	32,583.00

TRADITIONAL CASH FLOW METHODS

PAY BACK PERIOD METHOD:

(Rs in Crores)

Year	CASH INFLOWS	CUMULATIVE CASH INFLOWS	INVESTMENT
2016-17	32,122	64,705	42,848
2017-18	34,035	98,740	60,602
2018-19	36,365	1,35,105	76,451
2019-20	27774.1	1,62,879	1,844.16
2020-21	32,583	32,583	38,596
TOTAL	1,62,879	4,94,012	2,20,341

Base year= the year in which the total cost of the project expected to be recovered 5.

Next year= 5

Cost of the project= 2,20,341

CCI of base year= cumulative cash inflow of base year i.e., 1,35,105

Next year cash inflow= 27774.1

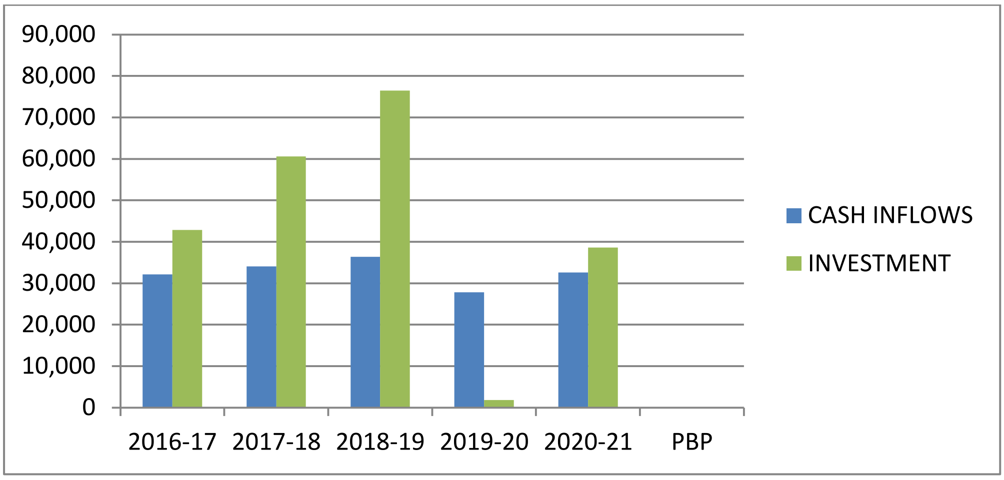
$$\textbf{PAY BACK PERIOD=Base year+} \frac{\textbf{Cost of the project-CCI of base year}}{\textbf{Next year cash inflow}}$$

$$= 5+ \frac{2,20,341-1,35,105}{27774.1}$$

$$= 5+3.06$$

PAY BACK PERIOD = 8.06 years

= 8.06



Analysis:

For the 5 years period from 2016-17 to 2020-21 the above calculation the payback period is low that is 8.06 years. So the investment was recovered fastly.

POST PAY BACK PROFITABILITY METHOD

FORMULAE:

Total cash inflow during the life of the project	x x x x
Less: Initial investment	x x x x
POST PAYBACK PROFITABILITY	x x x x

(Rs in Crores)

The cash inflow during 2013-16 to 2019-20	1,62,879
Less: Initial investment	38,596
POST PAYBACK PROFITABILITY	**1,24,283**

Analysis:

For the 5 years period from 2016-17 to 2020-21 the above calculation the post payback profitability is high (Positive) that is 1,24,283 Crores. So the project is profitable one.

ACCOUNTING RATE OF RETURN METHOD

$$ARR = \frac{\text{Average annual income after tax and depreciation}}{\text{Initial investment}}$$

$$\text{Average annual income} = \frac{\text{Total income}}{\text{No of years}}$$

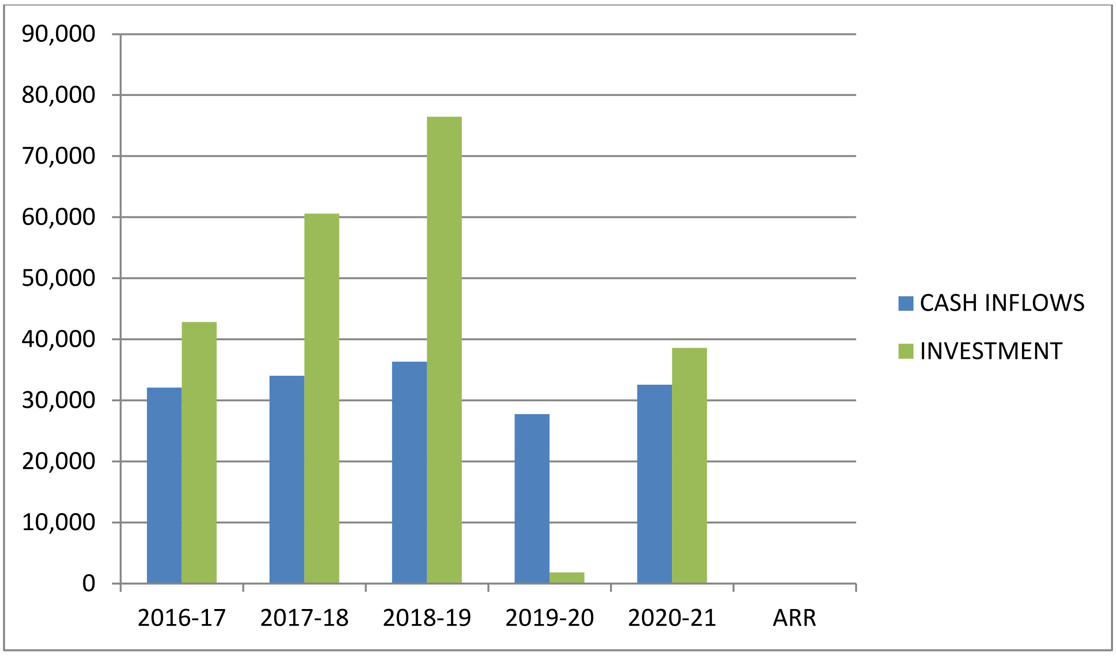
$$\text{Average income} = \frac{1,62,879}{5}$$

Average income = 32,575.8

$$ARR = \frac{32,575.8}{38,596}$$

ARR = 0.84

Year	CASH	CUMULATIVE CASH	INVESTMENT
2016-17	32,122	64,705	42,848
2017-18	34,035	98,740	60,602
2018-19	36,365	1,35,105	76,451
2019-20	27774.1	1,62,879	1,844.16
2020-21	32,583	32,583	38,596
TOTAL	1,62,879	4,94,012	2,20,341



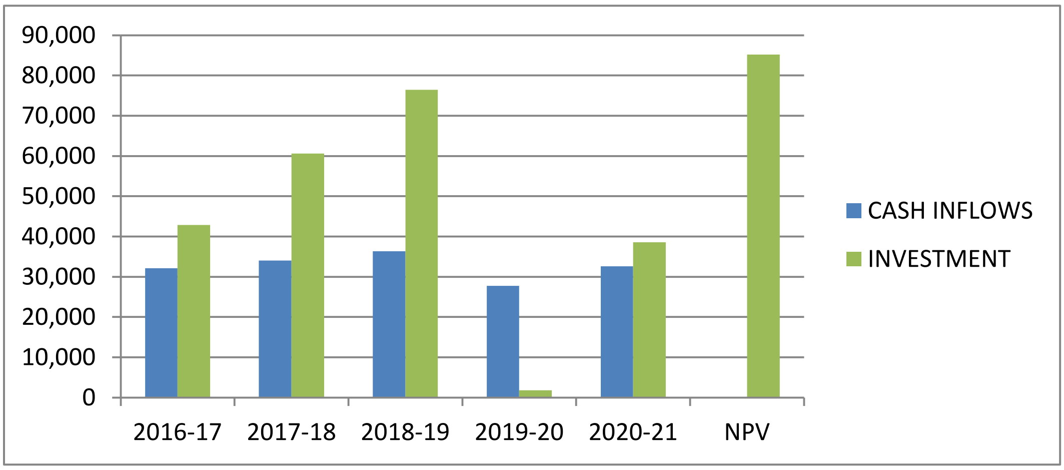
Analysis:

For a 5 years period from 2016-17 to 2020-21, the above calculation the ARR works out to be 0.84. This indicates that the company is having low rate of return.

DISCOUNTED CASH FLOW METHODS

NET PRESENT VALUE:

Year	CASH INFLOWS	Discounting Factor @	INVESTMENT	P V of cash
2016-17	32,122	0.826	42,848	26532.77
2017-18	34,035	0.751	60,602	25560.29
2018-19	36,365	0.683	76,451	24837.3
2019-20	27774.1	0.621	1,844.16	17247.72
2020-21	32,583	0.909	38,596	29617.95
PV of cash flows				123796
Less: Initial Investment				38,596
NET PRESENT VALUE				85,200



Analysis: For a 5 years period from 2016-17 to 2020-21, the above calculation the NPV is positive that is 85,200 Crores. It indicates the value of the NPV is positive.

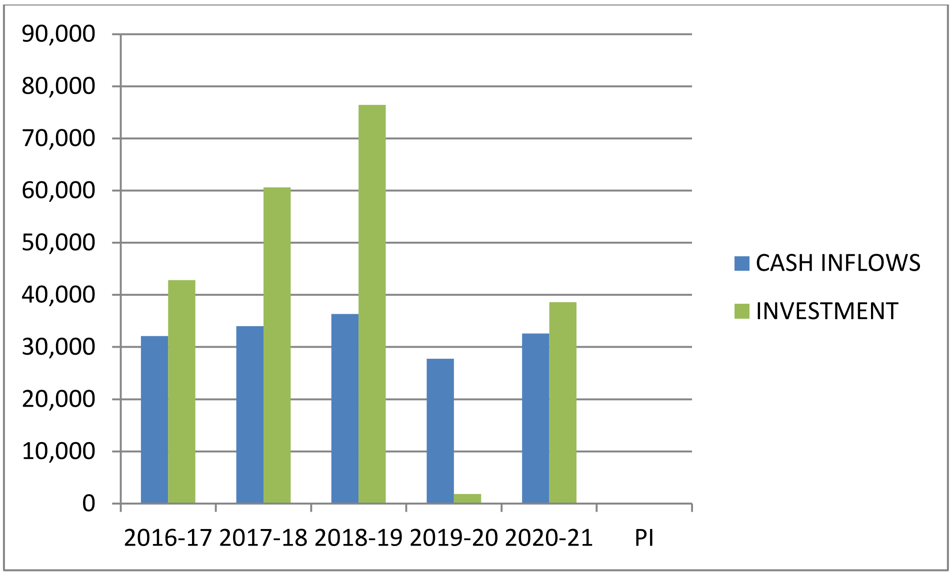
PROFITABILITY INDEX METHOD

Year	CASH INFLOWS	Discounting Factor @ 10%	INVESTMENT	P V of cash inflows
2016-17	32,122	0.826	42,848	26532.77
2017-18	34,035	0.751	60,602	25560.29
2018-19	36,365	0.683	76,451	24837.3
2019-20	27774.1	0.621	1,844.16	17247.72
2020-21	32,583	0.909	38,596	29617.95
PV of cash flows				123796

$$\text{PROFITABILITY INDEX} = \frac{\text{Present value of CIF}}{\text{Initial investment}}$$

$$\text{PROFITABILITY INDEX} = \frac{1,23,796}{38,596}$$

PROFITABILITY INDEX = 3.20



Analysis:

For a 5 years period from 2016-17 to 2020-21, the above calculation the profitability index or cost- benefit ratio is 3.20. So the project is viable. Profitability index is 3.20. present value of cash flows is 85,200.

FINDINGS

1. Since the capital invested in the assets are recovered with a short period of 8.06 year. The proposal is useful to the company.
2. Post pay back profitability is Rs. 1,24,283 Crores.
3. Accounting Rate of Return is 0.84.
4. Since the Net Present Value is positive the project is financially viable.
5. Profitability index is 3.20. present value of cash flows is 85,200.
6. From 2016-17 to 2020-21, the above calculation the NPV is positive that is 85,200 Crores.
7. For a 5 years period from 2016-17 to 2020-21, the above calculation the ARR works out to be 0.84.

SUGGESTIONS

1. The company should take sufficient measures to reduce the fluctuations in the cash inflows.

2. It is suggested to the company that it is better to reinvest surplus profits in the diversified projects.

3. The company should maintain the consistency in the depreciation on the fixed assets.

4. The company should modify the capital structure to reduce the tax burden.

CONCLUSIONS

1. The capital budgeting means the capital project planning is a process by which companies allocate funds to various investment projects to ensure the profitability and growth.
2. The capital budgeting mainly has two methods, first, Discounted cash flow methods and second one is traditional cash flow methods.
3. MRF Tyres performance is positive in Net Present Value, fastly recovery period of initial investment. So MRF Tyres performing good.
4. Overall financial position of the MRF Tyres is good.
5. It concluded that the company has a satisfactory in investing decisions.

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A STUDY ON

RATIO ANALYSIS ON VODAFONE IDEA KARIMNAGAR

STUDENT STUDY PROJECT SUBMITTED TO THE COMMISSIONER OF COLLEGIATE EDUCATION, Hyderabad

Under the
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DECEMBER, 2021

INTRODUCTION

Finance may be defined as the provision of money at the time when it is required. Finance refers to the management of flow of money through an organization. It concerns with the application of skills in the manipulation, use and control of money. Different authorities interpreted the term finance differently. However, there are three main approaches to finance.

- The first approach views finance as to providing of funds needed by a business on most suitable terms.

- The second approach relates finance to cash.

- The third approach views finance as being concerned with rising of funds and their effective utilization.

Finance may be categorized as 2 types.

1. **Public finance**

- Government institutions
- State government
- Local/ self government
- Central government

2. **Private finance**

- Personal finance
- Business finance
- Finance of nonprofit organizations

Aims of finance functions

- Acquiring sufficient funds
- Proper utilization of funds
- Increasing profitability
- Maximizing firm's value

FINANCIAL MANAGEMENT

Financial management refers to that part of the management activity which is concerned with the planning and controlling of firms' financial resources. In other words, financial management can be defined as the process of rising, providing and administrating of all money funds to be used in a business enterprise.

It deals with finding out various sources for raising funds for the firm. The source must be suitable and economical for the needs of the business. The most appropriate use of such funds also forms a part of financial management.

DEFINITIONS

“That business activity which is concerned in meeting the financial needs the overall objectives of business enterprise."

-Wheeler

“Financial Management can be broadly defined as activity concerned with planning, raising, controlling and administering the funds Used in business."

-Guthamann & dougall

“Financial management is an area of financial decision-making, harmonizing individual motives and enterprise goals”.

-Weston and Brigham

“The area of the business management devoted to a judicious use of capital and a careful selection of sources of capital in order to enable a spending unit to move in the direction of reaching its goals”.

- J.F. Bradley

“Financial management is concerned with the efficient use of an important economic resource, namely, capital funds.”

-Solomon

“Financial management is the application of the planning & control functions of the finance function.”

-Howard & Upton

OBJECTIVES OF FINANCIAL MANAGEMENT

Financial management is concerned with procurement and use of funds. Its main aim is to use business funds in such a way that the firm’s value or earnings are maximized. There are various alternatives available for using business funds.

1. Profit Maximization

Profit maximization refers to increase of the profits of the company.

- When profit-earning is the aim of business then profit maximization should be the obvious objective.
- Profitability is a barometer for measuring efficiency and economic prosperity of a business enterprise.
- Economic and business conditions do not remain same at all times. There may be adverse business conditions like recession, depression, severe competition etc.,
- Profits are the main sources of finance for the growth of a business. So, a business should aim at maximization of profits for enabling its growth and development.
- Profitability is essential for fulfilling social goals also. A firm by pursuing the objective of profit maximization also maximizes socio-economic welfare.

2. Wealth Maximization

Wealth maximization refers to increasing the value of company i.e., increasing the market price of the stock of the company.

Wealth maximization is the appropriate objective of an enterprise. When the firm maximizes the stockholder's wealth, the individual stockholder can use this wealth to maximize his individual utility. It means that by maximizing stockholder's wealth, the firm is operating consistently towards maximizing stockholder's utility.

A stockholder's current wealth in a firm is = number of shares owned multiplied with the current stock price per share.

Implications of Wealth maximization

There is a rationale in applying wealth maximizing policy as an operating financial management policy. It serves the interests of suppliers of loaned capital, employees, management and society. Besides shareholders, there are short-term and long-term suppliers of funds who have financial interests in the concern.

Short-term lenders are primarily interested in liquidity position so that they get their payments in time. The long-term lenders get a fixed rate of interest from the earnings and also have a priority over shareholders in return.

METHODS / DEVICES OF FINANCIAL ANALYSIS

The analysis and interpretation of financial statements is used to determine the financial position and results of operations as well. A number of methods or devices are used to study the relationship between different statements. An effort is made to use those devices which clearly analyze the position of the enterprise.

1) Comparative statements
2) Trend Analysis
3) Common size statements
4) Funds flow analysis
5) Cash flow Analysis
6) Cost - volume - Profit Analysis
7) Ratio Analysis

1) Comparative statements

The comparative financial statements are statements of the financial position at different periods of time. The elements of financial position are shown in a comparative form so as to give an idea of financial position at two or more periods.

From practical point of view, generally, two financial statements are prepared. They are

1) Comparative balance sheet

2) Comparative income statement

2) Trend analysis

The financial statements may be analyzed by computing trends of series of information. This method determines the direction upwards and involves the computing of the percentage relationship that each statement item bears to the same item in base year.

The information for a number of years is taken up and one year, generally the first year, is taken as a base year. The figure of the base year is taken as 100 and trend ratios for other years are calculated on the basis of base year's value.

3) Common size statement

Balance sheet and income statement are shown in analytical percentages. The figures are shown as percentages of total assets, total liabilities and total sales. The total assets are taken as 100 and different assets are expressed as a percentage of the total.

4) Funds flow analysis

The term 'fund' has been defined in a number of ways. A sum of money or other resources set aside for a specific purpose. An invested sum, whose income is devoted to a specific object; as, the fund of an religious society; a fund for the maintenance of lectures or poor students; also, money systematically collected to meet the expenses of some permanent object.

A stock or capital; a sum of money appropriated as the foundation of some commercial or other operation undertaken with a view to profit; that reserve by means of which expenses and credit are supported; as, the fund of a bank, commercial house, manufacturing corporation, etc.,

The term 'flow' means movement and includes both 'inflow' and 'outflow'. The term 'flow of funds' means transfer of economic values from one asset of equity to another.

Two statements are prepared under funds flow analysis. They are

A) Statement or schedule of changes in working capital

B) Statement of sources and application of funds

5) Cash flow analysis

Cash flow is essentially the movement of money into and out of the business. It is the cycle of cash inflows and cash outflows that determine the business' solvency.

Cash flow analysis is the study of the cycle of the business' cash inflows and outflows with the purpose of maintaining an adequate cash flow for the business and to provide the basis for cash flow management.

6) Cost-volume-profit analysis

Cost-volume-profit analysis is a technique for studying the relationship between cost, volume and profit. Profits of an undertaking depend upon a large number of factors. But the most important of these factors are the cost of manufacture, volume of sales and the selling price of the products.

In the words of Herman c. Heiser, "The most significant single factor in profit planning of the average business in the relationship between the volume of business, costs and profits."

The CVP relationship is an important tool used for the profit planning of a business.

7) Ratio analysis

Ratio is expression of the quantitative relationship that exists between the numbers. In simple language, ratio is one number expressed in terms of another and it work out by dividing one number by the other. It shows the relationship between two figures.

Ratio analysis is a widely used tool of financial analysis. It is defined as the systematic use of ratios to interpret the financial statements so that the strengths and weakness of firm as well as its historical performance and current condition can be determined. The relationship between two or more accounting figures/groups is called financial ratios. A financial ratio helps to summarize a large mass of financial data into a concise form and to make meaningful interpretation and conclusion about the performance of the firm.

A ratio may be expressed either in proportion or as rate or as percentage. A ratio may make the form of proportion. Here, the figures of the two items used for computing the ratio or expressed in common denominator. Example is current ratio 53, acid test ratio 131 etc.,

NATURE OF RATIO ANALYSIS

Ratio analysis is a technique of analysis and interpretation of financial statements. It is the process of establishing and interpreting various ratios for helping in making certain decisions. However, ratio analysis is not an end in itself. It is only a means of better understanding of financial strengths and weaknesses of a firm.

Collection of more ratios does not serve and purpose, unless several appropriate ratios are analyzed and interpreted.

The following are the four steps involved in ratio analysis.

1. Selection of relevant data from the financial statements depending upon objective of the analysis.
2. Calculation of appropriate ratios from above data.
3. Comparison of calculated ratios with the ratio of the same firm in the past, or the ratios developed from projected financial statements, or the ratios of the other firms, or the comparison with the ratios of the industry to which the firm belongs.
4. Interpretation of the ratios.

ADVANTAGES OF RATIO ANALYSIS

- It simplifies the understanding of financial position.
- It is a device to analyze and interpret the financial health of the enterprise.
- It contributes significantly towards effective planning and forecasting. A study of a trend in the past works as a helpful guide for the future.
- It is useful to bring out the strength, weakness and efficiency of firms and their departments.
- Ratios serve as effective control tools.
- Ratios cater particularly to the formation need of a particular person depending on his interest on the business for which ratio are to be calculated.

NEED FOR THE STUDY

The project work is done for analyzing the financial position of Vodafone Idea. The analysis of the financial position gives a better picture of the financial position of the organization in order to take better decisions. Ratio analysis guides the board and the management to pursue objectives that are in the interests of the company.

The study is also beneficial to employees and offers motivation by sharing how they are contributing for the bank’s growth. This study is also beneficial to top management of the company by providing relevant information regarding important aspects like liquidity, leverage, activity and profitability.

OBJECTIVES OF THE STUDY

1. To get the knowledge of concepts and types of Ratio analysis.
2. To evaluate the performance of the Vodafone Idea over the last five years.
3. To evaluate the profitability of the Vodafone Idea, Karimnagar.
4. To examine the efficiency in the utilization of finance which the firm manager utilized assets.
5. To draw conclusions and to suggest suitable measures to overcome problems, if any to improve its performance.

SCOPE OF THE STUDY

The present study will reveal the financial performance of the company covering purely financial data supplied by the company’s financial statements through ratio analysis. The Ratio analysis is an analyzed financial data along with interpretation. It includes the analysis of the financial position through ratios of Vodafone Idea only and it does not include any other branches of Vodafone Idea.

RESEARCH METHODOLOGY

Sources of data

Methodology is a systematic procedure of collecting information in order to analyze and verify a phenomenon. The collection of data is done through two principle sources viz.,

1) Primary data

2) Secondary data

1) Primary data

It is the information collected directly without any reference. In the study, it mainly interviews the concerned officers and staff either individually or collectively. For the present analysis, primary data is not used.

2) Secondary data

The Secondary data was collected from already published sources such as annual reports of Company, internal records, references from text books and journals relating to financial management.

TOOLS FOR DATA COLLECTION

Annual reports of Vodafone Idea are the tool used for collection of data for analyzing the Financial position.

SAMPLING DESIGN

Sample size

To study the ratio analysis of the Vodafone Idea the study chosen five years period from 2015 to 2020 as sample of study.

TOOLS AND TECHNIQUES USED FOR DATA ANALYSIS

In the report, the financial conduction of the company in all five years of the study period was analyzed and presented in the form of statements and tables, accompanied by respective interpretations.

LIMITATIONS OF THE STUDY

1. The study undertaken of the Vodafone Idea includes only ratios as a technique of analysis.
2. This may not reflect the whole financial position of the company.
3. The conclusions drawn from the annual figures provided by the company which may not give accurate financial position.
4. The samples i.e., financial statements are known only for a limited period, i.e. five years.
5. While calculating the percentages, approximations are more to the nearest figures. They may not give true pictures of the study.
6. The performance shown in the project is limited to the data provided by the company. Hence, it is limited to the information provided by them.

COMPANY PROFILE

Vodafone Idea Limited is an Aditya Birla Group and Vodafone Group partnership. The Company provides pan India Voice and Data services across 2G, 3G and 4G platform. With the large spectrum portfolio to support the growing demand for data and voice, the company is committed to deliver delightful customer experiences and contribute towards creating a truly 'Digital India' by enabling millions of citizens to connect and build a better tomorrow. The Company is developing infrastructure to introduce newer and smarter technologies, making both retail and enterprise customers future ready with innovative offerings, conveniently accessible through an ecosystem of digital channels as well as extensive on-ground presence. The Company is listed on National Stock Exchange (NSE) and BSE in India.

Our Mission

Customers

Be the most loved brand by continuously raising the bar in delivering simple, delightful experience and meaningful innovations, through new age technologies

Team

Be an inspirational, agile and exciting organisation that challenges the status quo, and champions a diverse team that has a winning attitude and thrives on delivering customer excellence

Shareholders

Be the most valued company through smart leadership committed to delivering sustainable growth, while adhering to the highest standards of governance and compliance

Community

Be the most respected company by leveraging technology and purposeful innovation to catalyze social prosperity, digital literacy and inclusivity

Our Values

Our values embody the spirit of our brand. They serve as the guiding principles for our every thought and action

Speed

We act with SPEED. Always. Procrastination is our enemy

Digital

We choose to be DIGITAL - FIRST, to make things simple for ourselves and our customers

Trust

We are straightforward and open in all that we do, to build a culture that fosters TRUST

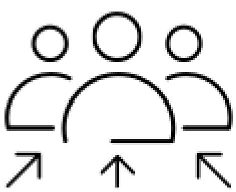
Bold

We always adopt a BOLD outlook and are not afraid of failure

Passion

We act with PASSION for our brand and our customers

Our Offerings

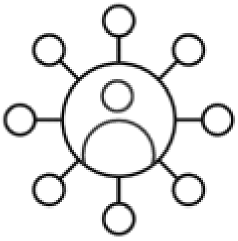


Consumer

Welcome to the world of Vodafone Idea Limited, where our millions of customers are at the heart of everything that we do.

We use the power of technology to enhance our customers' lives – through ubiquitous presence and connectivity through our PAN India urban and rural coverage, a continuously expanding 4G LTE network, integrated worry free propositions and some of the best entertainment on mobile – all packaged into a completely unmatched customer experience.

Our innovative and truly differentiated offerings – be it our Prepaid Unlimited propositions, RED Postpaid plans, Truly Unlimited International Roaming products and many others - reflect the passion with which we aim to serve our customers, always!



Enterprise

Vodafone Idea Business Services is committed to being the most trusted and valued partner helping businesses succeed in a digital world. Our Total Communications solutions empower global and Indian corporations, public sector & government bodies, small & medium enterprises and start-ups.

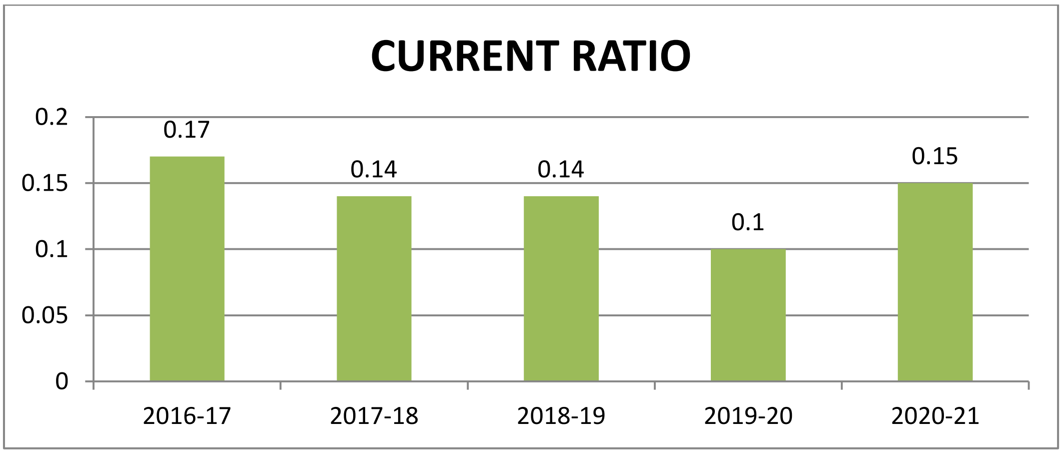
From market-leading Enterprise Mobility, robust Connectivity and world-class IoT Solutions, to superior Business Communication & Cloud and insightful Business Analytics & Enabling Solutions, we bring the smartest and newest technologies to serve businesses in the digital era.

Our global expertise and deep local knowledge makes us the preferred digital enablement partner of enterprises across India. No matter which sector you operate in and regardless of your size and scale, business is better when we are together.

1. CURRENT RATIO

$$\text{CURRENT RATIO} = \frac{\textbf{Current assets}}{\textbf{Current liabilities}}$$

YEAR	CURRENT ASSETS	CURRENT LIABILITIES	CURRENT RATIO
2016-17	1,079.37	6,948.93	0.17
2017-18	1,067.34	8,145.96	0.14
2018-19	1,175.63	9,370.47	0.14
2019-20	1,057.03	10,568.63	0.10
2020-21	651.83	4,538.17	0.15



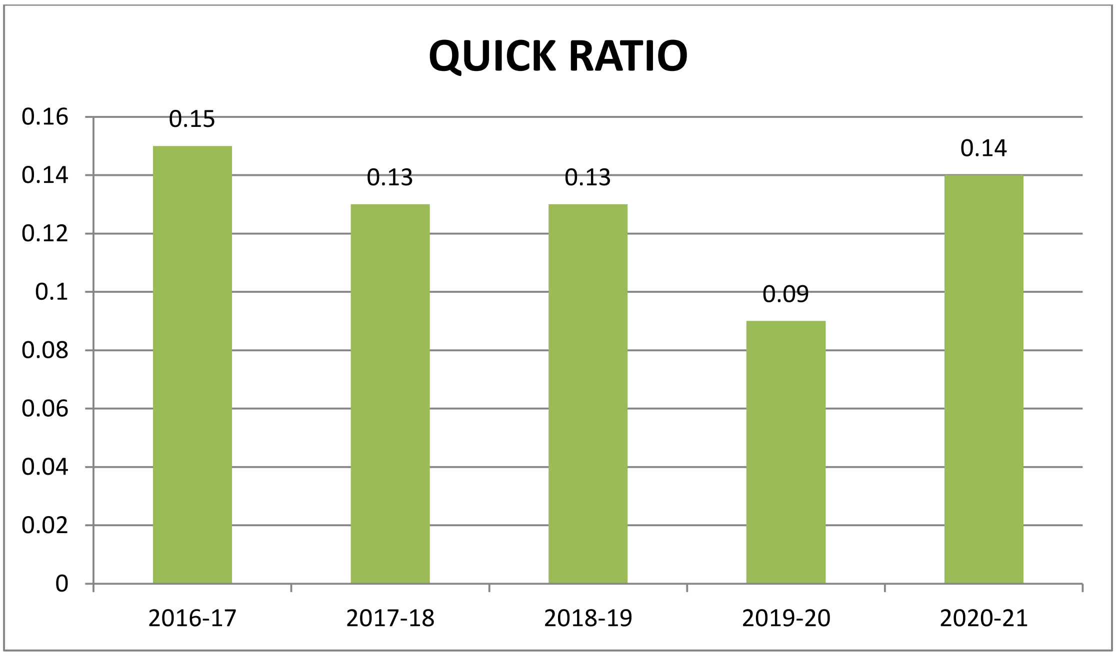
INTERPRETATION

From the above graph, current ratio is fluctuating every year. It decreased to 0.15 in the year 2020-21.

2. QUICK RATIO

$$\text{QUICK RATIO} = \frac{\textbf{Quick assets}}{\textbf{Current liabilities}}$$

YEAR	QUICK ASSETS	QUICK LIABILITIES	QUICK RATIO
2016-17	1,006.73	6,948.93	0.15
2017-18	974.77	8,145.96	0.13
2018-19	1,109.71	9,370.47	0.13
2019-20	1,003.39	10,568.63	0.09
2020-21	583.52	4,538.17	0.14



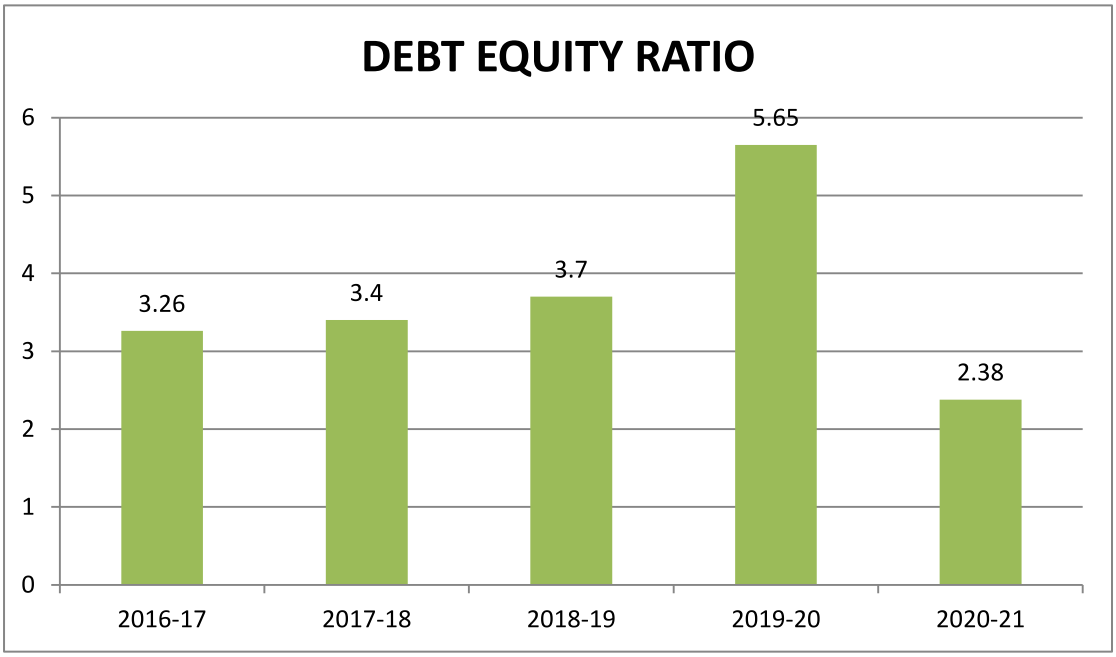
INTERPRETATION

From the above graph, quick ratio is fluctuating every year. It decreased to 0.14 in the year 2020-21.

3. DEBT EQUITY RATIO

$$\textbf{DEBT-EQUITY RATIO} = \frac{\textbf{Debt}}{\textbf{Equity}}$$

YEAR	DEBT	EQUITY	DEBT EQUITY RATIO
2016-17	10,785.17	3,305.20	3.26
2017-18	11,249.69	3,310.77	3.40
2018-19	13,263.24	3,317.25	3.70
2019-20	18,775.56	3,321.56	5.65
2020-21	7,859.30	3,301.76	2.38



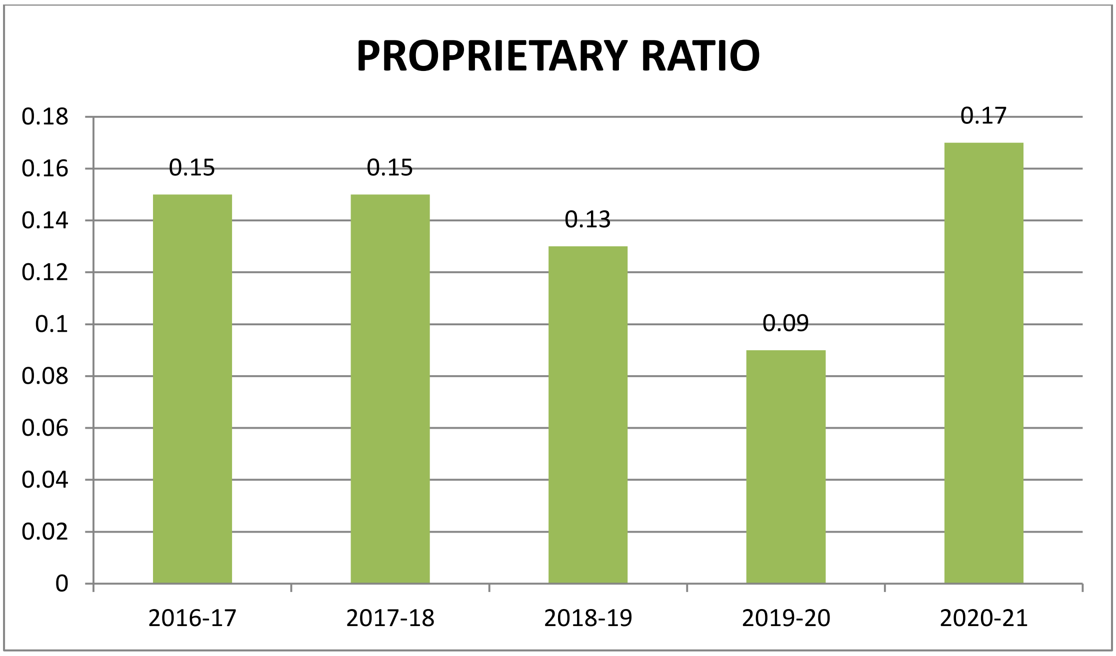
INTERPRETATION

From the above graph, debit equity ratio is increasing every year from 2015. It decreased to 2.38 in the year 2020-21.

4. PROPRIETARY RATIO

$$\textbf{PROPRIETARY RATIO} = \frac{\text{Shareholders' funds}}{\text{Total assets}}$$

YEAR	SHAREHOLDERS FUNDS	TOTAL ASSETS	PROPRIETARY RATIO
2016-17	3,305.20	23,085.08	0.15
2017-18	3,310.77	24,299.92	0.15
2018-19	3,317.25	26,568.55	0.13
2019-20	3,321.56	35,302.54	0.09
2020-21	3,301.76	19,231.65	0.17



INTERPRETATION

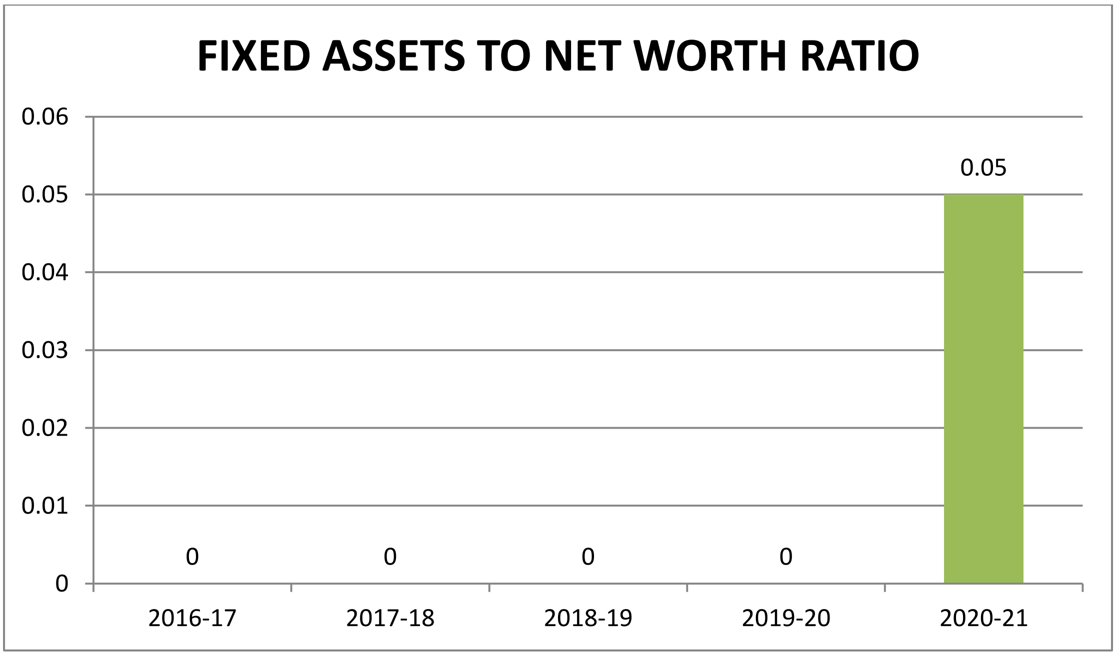
From the above graph, proprietary ratio is fluctuating every year. It is increased to 0.17 in the year 2020.

5. FIXED ASSETS TO NET WORTH RATIO

$$\text{FIXED ASSETS TO NET WORTH RATIO} = \frac{\text{Fixed assets}}{}$$

Shareholders' funds

YEAR	FIXED ASSETS	SHAREHOLDERS FUNDS	FIXED ASSETS TO NET WORTH RATIO
2016-17	0.00	3,305.20	0.00
2017-18	0.00	3,310.77	0.00
2018-19	0.00	3,317.25	0.00
2019-20	0.00	3,321.56	0.00
2020-21	167.35	3,301.76	0.05



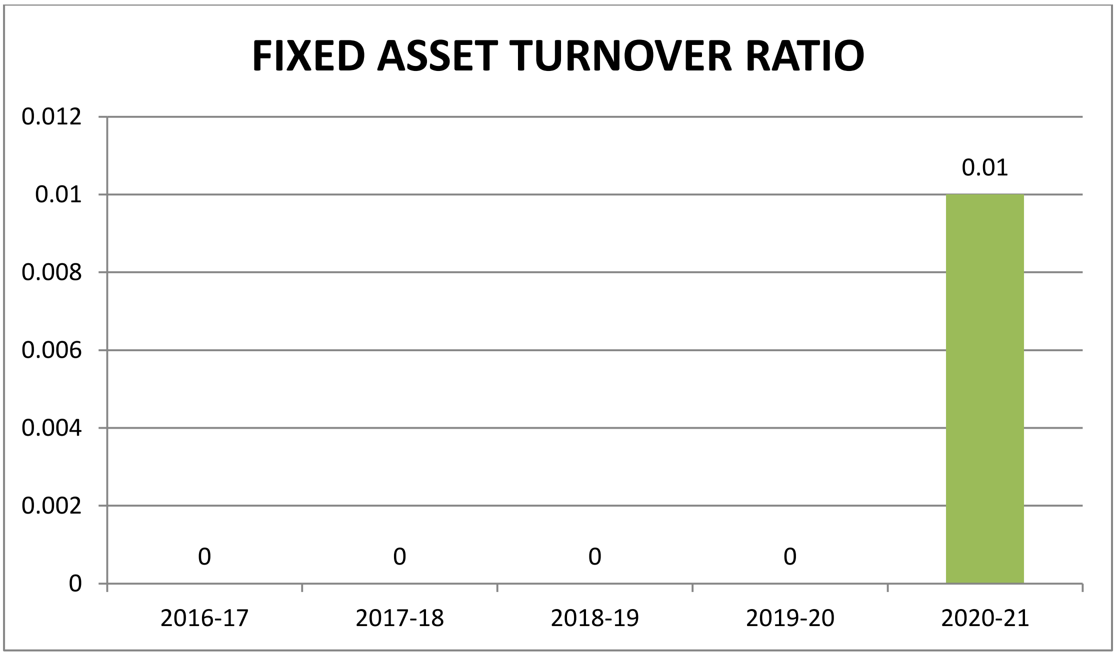
INTERPRETATION

From the above graph, fixed assets to net worth ratios are fluctuating every year.

6. FIXED ASSET TURNOVER RATIO

$$\textbf{FIXED ASSET TURNOVER RATIO} = \frac{\text{Fixed asset}}{\text{Net sales}}$$

YEAR	FIXED ASSETS	NET SALES	FIXED ASSET TURNOVER RATIO
2016-17	0.00	16,438.40	0.00
2017-18	0.00	19,488.69	0.00
2018-19	0.00	22,407.45	0.00
2019-20	0.00	26,431.97	0.00
2020-21	167.35	13,397.88	0.01



INTERPRETATION

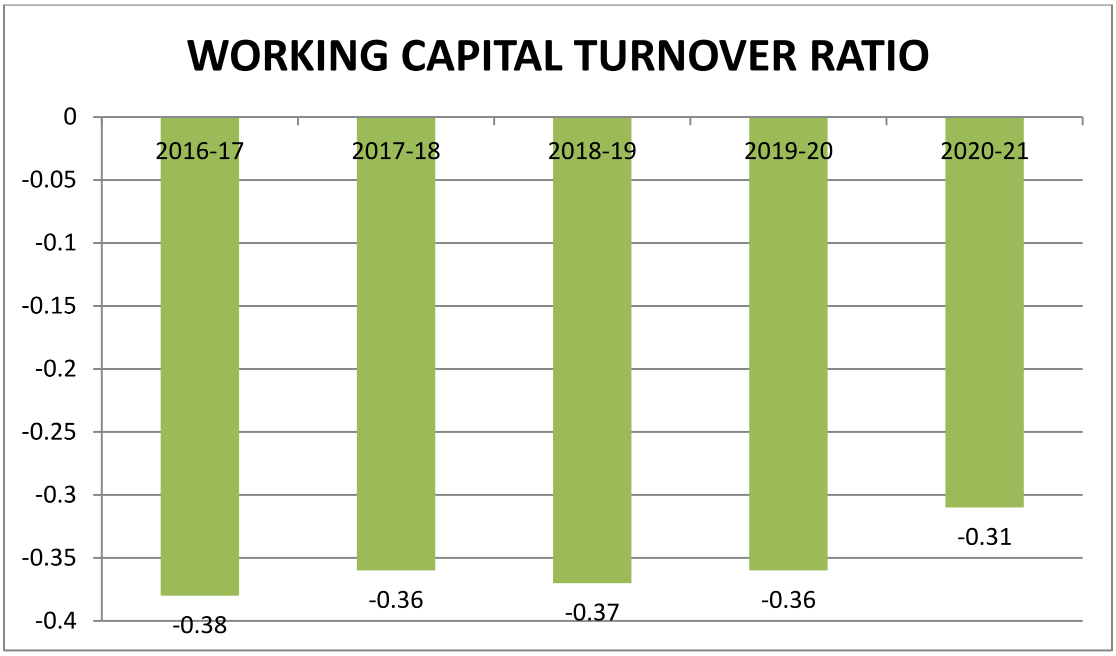
From the above graph, it is clear that fixed assets turnover ratio is constant from 2017-2120 and increased to 0.01 in 2020.

7. WORKING CAPITAL TURNOVER RATIO

$$\textbf{WORKING CAPITAL TURNOVER RATIO=} \frac{\text{Working capital}}{\quad}$$

Net sales

YEAR	WORKING CAPITAL	NET SALES	WORKING CAPITAL TURNOVER RATIO
2016-17	-5,869.56	16,438.40	-0.38
2017-18	-7,068.62	19,488.69	-0.36
2018-19	-8,194.84	22,407.45	-0.37
2019-20	-9,511.60	26,431.97	-0.36
2020-21	-3,886.34	13,397.88	-0.31



INTERPRETATION

From the above graph, working capital turnover ratio decreased to -0.31 in the year 2020.

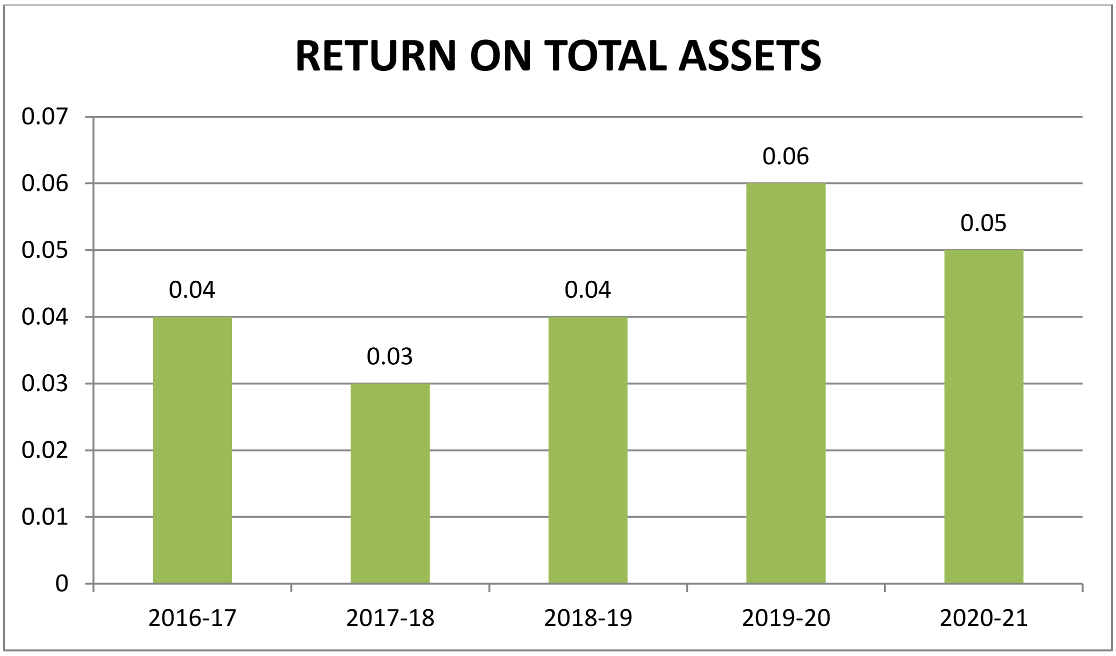
8. RETURN ON TOTAL ASSETS

Net profit

RETURN ON TOTAL ASSETS= ——————————

Total assets

YEAR	NET PROFIT	TOTAL ASSETS	RETURN ON TOTAL ASSETS
2016-17	898.71	23,085.08	0.04
2017-18	722.99	24,299.92	0.03
2018-19	1,010.93	26,568.55	0.04
2019-20	1,967.82	35,302.54	0.06
2020-21	953.94	19,231.65	0.05



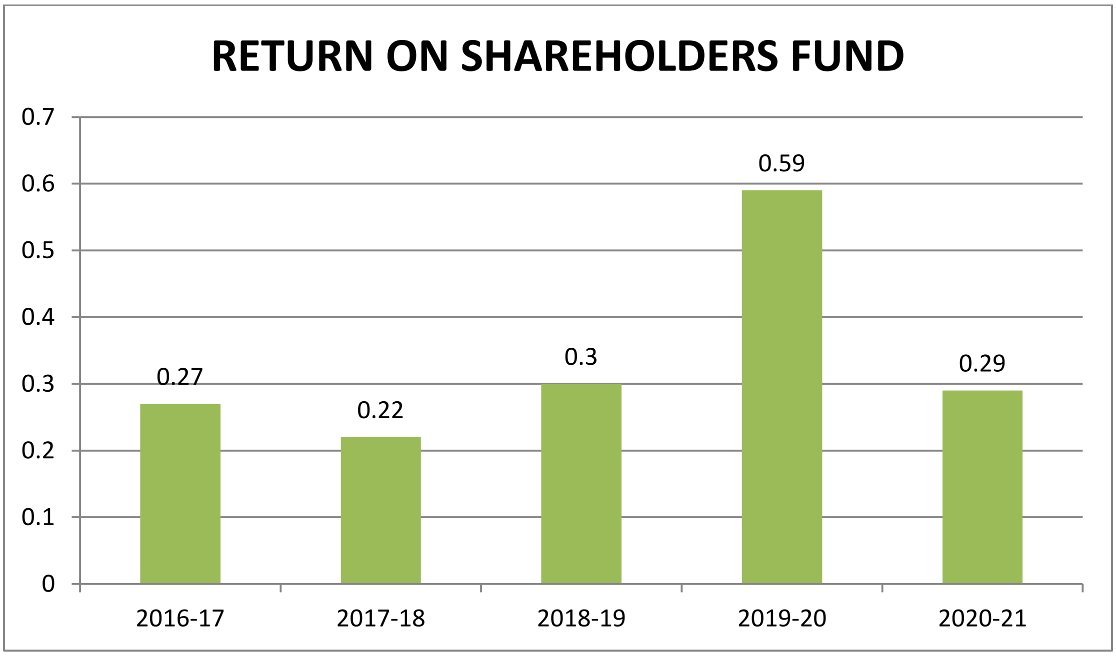
INTERPRETATION

From the above graph, return on total assets ratio is fluctuating every year. It is decreased to 0.04 in the year 2016.

9. RETURN ON SHAREHOLDERS FUND

$$\textbf{RETURN ON SHAREHOLDERS FUND} = \frac{\text{Net profit}}{\text{Shareholders fund}}$$

YEAR	NET PROFIT	SHAREHOLDERS FUNDS	RETURN ON SHAREHOLDERS FUND
2016-17	898.71	3,305.20	0.27
2017-18	722.99	3,310.77	0.22
2018-19	1,010.93	3,317.25	0.30
2019-20	1,967.82	3,321.56	0.59
2020-21	953.94	3,301.76	0.29



INTERPRETATION

From the above graph, it is clear that return on shareholders' fund is fluctuating every year.

FINDINGS AND CONCLUSIONS

- Return on shareholders' fund is fluctuating every year
- Return on total assets ratio is fluctuating every year. It is decreased to 0.04 in the year 2016
- Working capital turnover ratio decreased to -0.31 in the year 2020
- Fixed assets turnover ratio is constant from 2017-2120 and increased to 0.01 in 2020
- Fixed assets to net worth ratios are fluctuating every year
- Proprietary ratio is fluctuating every year. It is increased to 0.17 in the year 2020.
- Debit equity ratio is increasing every year from 2015. It decreased to 2.38 in the year 2020-21
- Quick ratio is fluctuating every year. It decreased to 0.14 in the year 2020-21

SUGGESTIONS

1. The current ratio is less than 2. Therefore, the management has to increase the current assets and decrease liabilities.
2. The debts and loans are repaid in time.
3. Super quick ratio is very less. The company has to maintain proper quick assets to increase the ratio.
4. Operating expenses are also to be decreased by maintaining proper funds and reserves for doubtful debts.
5. The company should adopt stabilized policies in the investment pattern on fixed assets of the organization.
6. The company should reduce the interest charges by restructuring the capital structure.
7. The company should invest their capital on the current assets according to the standards.

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A STUDY ON

CASH FLOW ANALYSIS ON RELIANCE GENERAL INSURANCE KARIMNAGAR

STUDENT STUDY PROJECT SUBMITTED TO THE COMMISSIONER OF COLLEGIATE EDUCATION, Hyderabad

Under the
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CASH FLOW ANALYSIS

An analysis of cash flow of a concern during a specified period presented in the form of a statement is known as flow analysis. Thus cash flow statement can be for the part or can be a projection for the future. The cash flow of the concern in the near future. Say for a period of six months or one year. Can be prepared based on the past trends and expectations of the concern regarding factors that would affect its cash receipts and cash payment. Such an estimate of future cash flows is better termed 'cash budget', Cash flow statement generally refers to the statement showing the receipts (inflows) and payments (outflows) of cash during the period covered by two consecutive balance sheets.

George Phillipatos is of the view that, in its generic sense, a cash flow is the receipts and the payment of amount of money and that it implies more than our accrual or a financial obligation, observes that a cash flow is frequently and erroneously assumed to include only current operations.

Cash flow analysis enables the management to plan and coordinate the financial operations of the enterprises, and furnish the basis for evaluating financing polices. It provides a barometer for the ensuring the profitability of the business and makes financing problems of the business much more manageable.

Definition

"The financial statements provide a summary of the accounts of a business enterprise, the balance sheet reflecting the assets, liabilities and capital as on a certain date and the income statement showing the results of operation during a certain period".

- John.N.Myer

NEED OF THE STUDY

1. It is a study which is important to know about the cash inflows and outflows of the Reliance General Insurance.
2. The cash flow analysis in the Reliance General Insurance helps to know the fluctuations in cash inflow, outflows and also liquidity position clearly.
3. Cash flow is a key for interpretation of financial statements.
4. Cash flow analysis is used to diagnose the financial health of the concern in knowing the position of the concern vital, strong, weak and good.

SCOPE OF THE STUDY

The present study reveals the cash flow analysis of the company covering purely financial data supplied by the company's cash flow statements through cash flow analysis, classifications of cash flows and preparation of cash flow statements. These are analyzed financial data along with interpretation. The study covers the data related to the Reliance General Insurance only.

OBJECTIVES OF THE STUDY

1. To evaluate the performance of the organization over the last five years.
2. To know the concept of cash flow analysis.
3. To evaluate the profitability position of the company
4. To examine the efficiency in the utilization of cash and cash equivalent resources.
5. To draw conclusions and to suggest suitable measures, to overcome problems, if any to improve its performance.

RESEARCH METHODOLOGY

The data for present study is collected from two sources. They are

1. Primary data and:
2. Secondary data

Primary data:

Data observed or collected directly from first-hand experience.

The primary data is collected by interacting with the finance manager and other concerned executives at the administrative office of the company.

Secondary data

Published data and the data collected in the past or other parties are called secondary data.

All the secondary data used for the study has been extracted from the annual reports, manuals and other published materials of the company.

LIMITATIONS

1. Cash flow statements are computed from historical accounting records so they posses those limitations.
2. The study is limited only for a period of 5 years i.e. 2017-202121.
3. The study having limited scope of gathering sufficient financial information as it is confidential.
4. The study is limited up to the data and information provided by the Reliance General Insurance and its annual reports.

COMPANY PROFILE

Reliance Commercial Corporation

In 1962, DhirubhaiAmbani started the Reliance Commercial Corporation with the capital of Rs 15000. The primary business of Reliance Commercial Corporation was to import polyester yarn and export spices. The business was setup in partnership with ChampaklalDamani, his second cousin. In1965 ChampaklalDamani and Dhirubhai ended their partnership and Dhirubhai started on his own. In1968, he moved to an up market apartment at Alta mount Road in South Mumbai.Ambani's net worth was estimated at about Rs. 10 lakh by late 1960s.

Initial Public Offering

DhirubhaiAmbani is credited with starting the equity cult in India. More than 58,000 investors from various parts of India subscribed to Reliance's **IPO's** in 1977. **Reliance Industries** holds distinction that it is the only **private sector company** whose several annual general meetings were held in stadiums. In 1986, Dhirubhai managed to convince a large no. of first time retail investors to participate in the unfolding Reliance story and put their hard earned money in the Reliance Textile IPO, promising them, in exchange for their trust, substantial returns on their investments. Ambani's net worth was estimated at about Rs.1 billion by early 1980's.

Diversification

Over time Dhirubhai diversified his business with the core specialization being in petrochemicals and additional interest in telecommunications, information technology, energy, power, retail, textiles, infrastructure services, capital markets and logistics. The company as a whole by BBC as "a business empire with an estimated annual turnover of $12 million, and an 85,000 strong workforce"

Reliance general insurance is one of the leading private general insurance companies of India, in the present times. It was amongst the first companies to apply for, and obtain, a license for insurance business, after the liberalization of insurance sector,in 2000. The company continued to growth with the passing time, widening the scope of its insurance policies. Today, it offers over 94 customized insurance products catering to need of the corporate, SME and individual customers. Reliance general insurance also boasts of being the first insurance company in India to be awarded the ISO 9001:2000 certification across all functions, processes, products and location pan-India.

We feel proud to be one of the leading general insurance companies of India. We have a huge customer base which includes individuals like you, corporates and SMEs.

Vision

We want to score perfectly for world standard services & products, and want to be your first choice in domestic as well as global markets.

Mission

- Satisfy your need of insurance cover in that crucial hour
- Offer incomparable customer service
- Provide innovative products
- Better reach through presence across India and abroad

Goals

- Make affordable insurance accessible to all
- Keep customer as focal point for all operations
- Protect policy holders interests
- Adopt best international practices in claims, underwriting and policy servicing
- Be the most innovative in product development
- Establish Pan India presence

BRAND PHILOSOPHY

Live Smart

Reliance general insurance believes the world would be a better place if the same innovation that drove progress also made people feel protected

Live Smart is not just a phrase, It's a philosophy RGI is adopting in the way it runs business and this philosophy cuts across our audiences both internal & external.

Its a change in attitude and approach to create better, smarter & innovative insurance solutions for our customers.

To simplify with examples across product offerings :-

Health

Smart is when your insurance company knows you as well as you know yourself. Which helps in creating products individually suited for the kind of person you are. So if you're leading a healthy life, your premium will not be as much as someone who's not.

Motor

Smart is when your insurance company acknowledges the sort of driver you are. And rewards you for it. So if you're a safe driver, your premium will not be as much as someone who's not a safe driver.

Travel

Smart is when your insurance company knows when you're travelling and where your travels take you. So the next time you travel, you can expect a suite of smart recommendations and tips based on the weather, duration and interests you've exhibited.

The new philosophy also transcends to our engagement with our employees & channel partners

We are working to provide solutions to our employees & channel partners which will comfort their professional fears and provide an edge for delivering customer service.

INTRODUCTION

A) MEANING OF CASH

The term "CASH" has a variety of meanings. There are people who take it synonymous to cash and to them there is no difference between a CASH Flow Statement and a cash Flow Statement. While others include marketable securities besides cash in the definition of the term CASH. The International Accounting Standard No. 7 on statement of changes in financial position also recognizes the absence of single, generally accepted definition of term. According to the standard, "The term fund refers to cash and cash equivalents or to working capital".

These statements can be classified into four :

- Income statement
- CASH Flow Statement
- Statement of Changes in Financial Position

1. INCOME STATEMENT

As already indicated in an earlier chapter as an income statement measures the inflow of assets resulting from rendering of goods or service customers over a period of time.

2. CASH FLOW STATEMENT

This statement measures the inflows and the outflows of working capital that result from any type of business activity.

3. STATEMENT OF CHANGES IN FINANCIAL POSITION

This statement has a wider meaning than CASH flow statement. It measures changes both in working capital and non–working capital.

CURRENT ASSETS

The term Current Assets" includes cash and other asserts that are expect to be converted into cash or consumed in production of goods or rendering of services in the normal course of business. However, the best definitions of the term " Current Assets" has been given by gray in the following words. For accounting purpose, the term "Current Assets" is used to designate cash and other assts or resources commonly identified as those, which are reasonable, expected to be realized in cash or sold consumed during the normal Operating cycle of the business.

The Broad categories of "Current Assets " are:

- Cash including fixed deposits with banks
- Accounts receivable, Trade debts and bills receivable.
- Inventory stock of raw material, work- in –progress, finished goods, stores and spare parts.
- Advances recoverable the advances given to suppliers of goods and services or deposit with government or other public authorities, custom, part authorities, advance income tax.
- Pre-paid expenses, cost of unexplored services, insurance premium paid in advance.

CURRENT LIABILITIES

The term "Current Liabilities" is used principally to designated such obligation whose liquidation is reasonable expected to require the use of assets classified as current assets in the same balance sheet or the creation of other current liabilities or those expected to be satisfied with in a relatively short period of time usually one year. However, this concept of current liabilities as all obligation that will require with in the coming year of the operating cycle which ever is longer. The use does existing current assets

The creation of the current liabilities. In other words, the more fact that an amount is due within a year does not make it a current liabilities. For example, debenture due for redemption with in a year of the balance sheet date will not be taken as a current liabilities of they are to be paid out of the proceeds realized on account of Sale of debentures redemption fund investments. The term current liabilities also includes amounts sea part or provided for any know liability or which the amount can't be determined with substantial accuracy called provision rather than liabilities.

The Broad Categories of "Current Liabilities" are:

- Accounts payable, bills payable and trade creditors.
- Outstanding expenses, expenses for with services have been received by the payment have not been made.
- Bank overdrafts.
- Short-Term loans, loans from banks which are payable with in one year from the date of balance sheet.
- Advance payments received by the business for the services to be rendered or goods to be supplies in future.
- Current majorities of long-time loans, long-term debts due with in a year of those loans. Provided payable out of existing current assets or by creation of current liabilities as discussed earlier. However , installment of long-term loans due after a year should be taken as non-current liabilities.

NON CURRENT ASSETS

All assets other than current assets come with in the categories of non-current assets. Such assets include goodwill, land and building, plant and machinery, furniture, long-time investments , patent rights trade marks, debit balances of the profit and loss account, discount on issue of shares and debentures, preliminary expenses etc.,

NON-CURRENT LIABILITIES

All liabilities other than current liabilities come with in the category of non-current liabilities. They include share capital, long term loans, debentures and share premium, credit balances of the profit and loss account, revenue and capital reserves.

PROFORMA OF A CASH FLOW STATEMENT

(Statement of sources and applications of CASH)

Sources	**Rs**	**Applications**	**Rs**
Income from business operations(profit)	xxx	Income from business operation(loss)	xxx
Issue of shares at par (discount /premium)	xxx	Redemption of shares at par (discount /premium)	xxx
Issues of debentures at par (discount /premium)	xxx	Redemption of debentures at Par (discount /premium)	xxx
Long term and medium loans taken	xxx	Payment of loans	xxx
Sale of investments	xxx	Purchase of investments	xxx
Non- trading income	xxx	Non-trading payment	xxx
Sale of fixed assets	xxx	Dividend paid	xxx
Total	**xxx**	**Total**	**xxx**

PROFORMA OF STATEMENTS OF CHANGES IN WORKING CAPITAL

Particulars	Previous Year	Current Year	Effect of change in Working Capital	
			Increase	Decrease
CURRENT ASSETS	xxx	xxx		
Cash	xxx	xxx		
Bank	xxx	xxx		
Bills receivables	xxx	xxx		
Debtors	xxx	xxx		
Start	Xxx	xxx		
Prepaid expenses				
	Xxx	xxx		
TOTAL(A)				
CURRENT LIABILITIES	xxx	xxx		
	xxx	xxx		
Bills payable	xxx	xxx		
Bank over draft	xxx	xxx		
Creditors	xxx	xxx		
Provision for income tax				
Outstanding expenses	Xxx	xxx		
TOTAL(B)				
NETWORKING CAPITAL				
(A-B)	xxx	xxx		
Increase/decrease in	Xxx	xxx		
working capital				
TOTAL	Xxx	xxx		

Working Capital =Current Assets- Current Liabilities.

Net Increase/Decrease in working Capital

CALCULATION OF CASH FROM OPERATION OR TRADING PROFITS

To current operating profit are the main sources of CASH. The operating profits are the excess of operating or sales revenue operating costs, which include cost of goods sold and operating expenses. While sales result in inflow of CASH in the form of cash bills receivable and sundry debtors. The operating cost result in outflow of CASH in the sundry and expense creditors and acceptances. thus the net inflow would to sources of CASH, and the net out flow would be applications of CASH.

While calculation the CASH from operations only those transactions, which affect the movement of CASH, should be considered. In other words, all non fund transactions such as depreciation etc., should be readjusted to current profit net profit and loss account has been credited with certain non operating income.

CASH FLOW STATEMENT OF RELIANCE GENERAL INSURANCE FROM MARCH -2016 TO MARCH-2017

PARTICULARS	AMOUNT
Cash and cash equivalents at the beginning of the year	(295,479)
Cash flows from operating activities :	
Direct Premiums received	17,123,573
Payment to re-insurers, net of commissions and claims	(393,966)
Payment to co-insurers, net claims recovery	4,213
Direct Claims Paid	(12,569,180)
Direct Commission / Brokerage Payments	(815,048)
Payment of other operating expenses	(3,280,879)
Preliminary and pre-operating expenses **- -**	
Deposits, Advances, and Staff loans	(99,845)
Service Tax (Net)	(20,594)
Income tax paid (Net)	113

Wealth tax paid - -	
Misc Receipts/payments	4,868
Cash flow before extraordinary items	(46,745)
Cash flow from extraordinary operations - -	
Cash flow from operating activities	(46,745)
Cash flows from investing activities :	
Purchase of investments	(19,461,026)
Sale of Investments (Including gain/ Loss)	17,417,499
Purchase of fixed Assets	(74,853)
Proceeds from sale of fixed assets	4,750
Rent/ Interest/ Dividends received	1,405,701
Investment in money market instruments and in liquid mutual funds (Net)	(3,329,758)
Repayment received - -	
Loan Given - -	
Expenses related to investments	(7,068)
Net Cash flow from investing activities	(4,044,755)
Cash flows from financing activities :	
Proceeds from Issuance of Share Capital	4,430,000
Proceeds from borrowings - -	
Repayment of borrowings - -	
Interest/ Dividend Paid - -	
Cash flow from financing activities	4,430,000
Cash and cash equivalents at the end of the year including Bank Overdraft	43,020
Cash and cash Equivalent at the end of year:	
Cash & Bank balance as per schedule	621,031

Less: Temporary book over draft as per schedule	578,011
Cash and Cash Equivalent at the end	43,020

INTERPRETATION

1. Cash and cash equivalents at the beginning of the year 2016-2017 is (295,479).
2. Cash flow from operating activities in the year 2016-2017 is (46,745).
3. Net cash used in investing activities in the year 2016-2017 is (4,044,755).
4. Cash flow from financing activities in the year 2016-2017 is 4,430,000.
5. Purchase of fixed Assets in the year 2016-2017 is (74,853).

CASH FLOW STATEMENT OF RELIANCE GENERAL INSURANCE FROM MARCH-2017 TO MARCH-2018

PARTICULARS	AMOUNT
Cash and cash equivalents at the beginning of the year	43,020
Cash flows from operating activities :	
Direct Premiums received	20,329,699
Payment to re-insurers, net of commissions and claims	(2,271,151)
Payment to co-insurers, net claims recovery	(85,559)
Direct Claims Paid	(11,318,948)
Direct Commission / Brokerage Payments	(1,096,720)
Payment of other operating expenses	(3,363,052)
Preliminary and pre-operating expenses **- -**	
Deposits, Advances, and Staff loans	(366,468)
Service Tax (Net)	24,800
Income tax paid (Net)	7,318
Wealth tax paid **- -**	
Misc Receipts/payments	(2,110)
Cash flow before extraordinary items	1,857,809
Cash flow from extraordinary operations **- -**	
Cash flow from operating activities	1,857,809
Cash flows from investing activities :	
Purchase of investments	(41,295,279)
Sale of Investments (Including gain/ Loss)	32,924,066
Purchase of fixed Assets	(98,782)
Proceeds from sale of fixed assets	2,583
Rent/ Interest/ Dividends received	2,134,095
Investment in money market instruments and in liquid mutual funds (Net)	2,945,121

Repayment received **- -**	
Loan Given **- -**	
Expenses related to investments	(8,130)
Net Cash flow from investing activities	(3,396,327)
Cash flows from financing activities :	
Proceeds from Issuance of Share Capital	1,549,999
Proceeds from borrowings **- -**	
Repayment of borrowings **- -**	
Interest/ Dividend Paid **- -**	
Cash flow from financing activities	1,549,999
Cash and cash equivalents at the end of the year including Bank Overdraft	54,502
Cash and cash Equivalent at the end of year:	
Cash & Bank balance as per schedule	545,783
Less: Temporary book over draft as per schedule	491,281
Cash and Cash Equivalent at the end	54,502

INTERPRETATION

1. Cash and cash equivalents at the beginning of the year 2017-2018 is 43,020.
2. Cash flow from operating activities in the year 2017-2018is 1,857,809.
3. Net cash used in investing activities in the year 2017-2018 is (3,396,327).
4. Cash flow from financing activities in the year 2017-2018 is 1,549,999.
5. Purchase of fixed Assets in the year 2017-2018 is (98,782).

CASH FLOW STATEMENT OF RELIANCE GENERAL INSURANCE FROM MARCH -2018 TO MARCH-2019

PARTICULARS	AMOUNT
Cash and cash equivalents at the beginning of year:	
Cash & Bank balance	545,783
Less: Temporary Bank Overdraft as per books of accounts	491,281
Cash flows from Operating Activities :-	
Direct Premiums received	23,577,329
Payment to Reinsurance companies net of claims and commission	(218,539)
Payment to Co Insurance companies net of claims and expenses	(274,184)
Direct Claims Paid	(15,086,786)
Direct Commission / Brokerage Payments	(1,180,744)
Payment of other operating expenses	(4,342,189)
Preliminary and pre-operating expenses - -	
Advances, Deposits,Staff loans	660,118
Service Tax	24,800
Income tax paid	(1,702)
Wealth Tax paid - -	
Misc Receipts/payments (	8,725)
3,029,844	
Cash Flow before extraordinary items	
Cash flow from extraordinary operations **- -**	
Cash flow from operating activities :-	**3,029,844**
Cash flows from investing activities :-	
Purchase of investments	(28,035,131)
Sale of investment (including gain/loss)	21,544,160
Purchase of fixed Assets	(138,495)

Proceeds from Sale of fixed Assets	6,277 2,583
Rent/Interest/Dividends received	2,845,638
Investment in money market instruments and in liquid mutual funds (Net)	838,282
Loan Given	254,126
Expenses related to investment activities	(24,810)
Repayment received	-
Net Cash Flow from Investing activities	**(2,709,953)**
Cash flows from financing activities :-	
Proceeds from issuance of share capital	–
Proceeds from borrowings	**-**
Repayment of borrowings	**-**
Interest/ Dividend Paid	–
Cash flow from Financing activities	–
Cash and cash equivalents at the end of period including Bank overdraft *	**374,393**
*** Cash and cash Equivalent at the end of period:**	
Cash & Bank balance as per schedule	644,135
Less: Temporary book over draft as per schedule	269,742
Cash and Cash Equivalent at the end of period	**374,393**

INTERPRETATION

1. Cash and cash equivalents at the beginning of the year 2018-2019is 545,783.
2. Cash flow from operating activities in the year 2018-2019is 3,029,844.
3. Net cash used in investing activities in the year 2018-2019 is (2,709,953).
4. Cash flow from financing activities in the year 2018-2019 is 0.
5. Purchase of fixed Assets in the year 2018-2019 is (138,495).

CASH FLOW STATEMENT OF RELIANCE GENERAL INSURANCE FROM MARCH -2019 TO MARCH-2020

PARTICULARS	2020
Cash flows from operating activities:	
Direct Premiums received	27,196,885
Payment to re-insurers, net of commissions and claims	3,541,607
Payment to co-insurers, net claims recovery	481,199
Direct Claims Paid	(17,306,508)
Direct Commission / Brokerage Payments	(1,065,413)
Payment of other operating expenses	(5,523,995)
Preliminary and pre-operating expenses	-
Deposits, Advances, and Staff loans	(490,968)
Service Tax (Net)	56,435
Income tax paid (Net)	(105,043)
Wealth tax paid	-
Misc Receipts/payments	14,510
Cash flow before extraordinary items	**6,798,709**
Cash flow from extraordinary operations	**-**
Cash flow from operating activities	**6,798,709**
Cash flows from investing activities :	
Purchase of investments	(46,918,212)
Sale of Investments (Including gain/ Loss)	39,452,906
Purchase of fixed Assets	(237,274)
Proceeds from sale of fixed assets	10,484
Rent/ Interest/ Dividends received	3,655,873

Investment in money market instruments and in liquid mutual funds (Net)	(3,589,995)
Repayment received on Loan Given	46,501
Expenses related to investments	(30,000)
Net Cash flow from investing activities	**(7,609,718)**
Cash flows from financing activities :	
Proceeds from Issuance of Share Capital	-
Share Application Money Received	900,000
Proceeds from borrowings	-
Repayment of borrowings	-
Interest/ Dividend Paid	-
Cash flow from financing activities	**900,000**
Net increase in cash & cash equivalents	**88,991**
Cash and cash equivalents at the beginning of the year	**374,393**
Cash and cash equivalents at the end of the period including Bank Overdraft	**463,383**
Cash and cash Equivalent at the end of the period:	
Cash & Bank balance as per schedule*	**785,878**
Less: Temporary book over draft as per schedule	**322,495**
Cash and Cash Equivalent at the end including Bank Overdraft	**463,383**

INTERPRETATION

1. Cash and cash equivalents at the beginning of the year 2019-2020 is 463,383.
2. Cash flow from operating activities in the year 2019-2020 is 6,798,709.
3. Net cash used in investing activities in the year 2019-2020 is (7,609,718).
4. Cash flow from financing activities in the year 2019-2020 is 900,000.
5. Purchase of fixed Assets in the year 2019-2020 is (237,274).

CASH FLOW STATEMENT OF RELIANCE GENERAL INSURANCE FROM MARCH -2020 TO MARCH -2021

PARTICULARS	AMOUNT
Cash and cash equivalents at the beginning of year	**(11,871)**
Cash & Bank balance	8 24,256
Less: Temporary Bank Overdraft as per books of accounts	(836,127)
Cash flows from Operating Activities :-	
Direct Premiums received	16,477,259
Payment to Reinsurance companies net of claims and commission	5 ,223,741
Payment to Co-Insurance companies net of claims and expenses	7 17,640
Direct Claims Paid	(16,987,404)
Direct Commission / Brokerage Payments	(122,971)
Payment of other operating expenses	(4,233,511)
Preliminary and pre-operating expenses	
Advances, Deposits,Staff loans	4 53,059
Income tax paid / Refund Received	9 3,313
Wealth Tax paid	2 90
Other Receipts/payments :-	3 ,721
Cash Flow before extraordinary items	**1,625,137**
Cash flow from operating activities :-	**1,625,137**
Cash flows from investing activities :-	
Purchase of investments (Net)	(37,956,088)
Sale of investment (including gain/loss)	32,955,141
Purchase of fixed Assets	(8,908)
Proceeds from Sale of fixed Assets	1 ,212
Rent/Interest/Dividends received	1 ,263,120
Investment in money market instruments and in liquid mutual funds	4 21,255

(Net)	
Loan Given -	
Expenses related to investment activities	(4,476)
Repayment received -	
Net Cash Flow from Investing activities	**(3,328,744)**
Cash flows from financing activities :-	
Proceeds from issuance of share capital	1 ,419,999
Proceeds from borrowings **-**	
Repayment of borrowings **-**	
Interest/ Dividend Paid **-**	
Cash flow from Financing activities	**1,419,999**
Cash and cash equivalents at the end of period including Bank overdraft *	**(295,479)**
*** Cash and cash Equivalent at the end of period:**	
Cash & Bank balance as per schedule	672,196
Less: Temporary book over draft as per schedule	(967,675)
Cash and Cash Equivalent at the end of period	**(295,479)**

INTERPRETATION

1. Cash and cash equivalents at the beginning of the year2020-2021 is (11,871).
2. Cash flow from operating activities in the year 2020-2021 is 1,625,137.
3. Net cash used in investing activities in the year 2020-2021 is (3,328,744).
4. Cash flow from Financing activities in the year 2020-2021 is 1,419,999
5. Purchase of fixed Assets in the year 2020-2021 is (8,908).

FINDINGS

1. Cash flow from operating activities in the year 2020-2021 is 1,625,137.
2. Net cash used in investing activities in the year 2016-2017 is (4,044,755).
3. Cash flow from financing activities in the year 2017-2018 is 1,549,999.
4. Purchase of fixed Assets in the year 2018-2019 is (138,495).
5. Cash and cash equivalents at the beginning of the year 2019-2020 is 463,383.
6. Net cash used in investing activities in the year 2019-2020 is (7,609,718).
7. Cash flow from financing activities in the year 2019-2020 is 900,000.
8. Purchase of fixed Assets in the year 2018-2019 is (138,495).
9. Cash and cash equivalents at the beginning of the year 2017-2018 is 43,020.
10. Share application money in 2020 is 900,000.

SUGGESTIONS

1. Management has to make efficient utilization of the resources available
2. It is recommended that the company's credit policy should be controlled so that the management makes quick collections from debtors.
3. The management has to focus on the investing activities, because these have to help in developing the organizational financial position.
4. The management has to focus on the outflow of the cash because it effects the liquidity position of the company.
5. It is suggested that company has to focus on financing activities & make them positive.

CONCLUSIONS

1. From the financing activities the cash inflows are less than the cash out flows.
2. Depreciation is in fluctuating manner.
3. Direct Premiums received were increased from 2019 to 2020.
4. By selling the investments they gain more profits & sales volume increased from 2019 to 2020.
5. Trade and Other Receivables also fluctuating but it is increased in the first 3 years in an increasing manner but decreased in the last 2 years.
6. Direct taxes for the company are decreased till the 2^{nd} year increased from the 3^{rd} year to the 5^{th} year.
7. Interest paid by the company is in the last year is increased when compared to the previous years.
8. Cash flow from financing activities is positive in 2020 when compared to 2019.

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A STUDY ON

FINANCIAL STATEMENT ANALYSIS IN SONY ELECTRONICS KARIMNAGAR

STUDENT STUDY PROJECT SUBMITTED TO THE COMMISSIONER OF COLLEGIATE EDUCATION, Hyderabad

Under the JIGNASA

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Telangana

DECEMBER, 2021

INTRODUCTION

FINANCIAL STATEMENTS

Meaning of Financial Statements:

A Financial statement is a collection of data organized according to logical and consistent accounting procedures. Its purpose is to convey an understanding of some financial aspects of a business firm.

It may show a position at a moment in time as in the case of a balance sheet, (or) may reveal a series of activities our a given period of time, as in case of income statement. Thus, the term financial statements generally, refers to the two statements: (1) the position statement (or) the balance sheet ; and (2) the income statement (or) the profit and loss account. These statements are used to convey to management and other interested outsiders ,the profitability and financial position of a firm.

Financial statements are the source of the information on the basis of which conclusions are drawn about the profitability and liquidity position of a business enterprise at the end of financial year. They are the major means employed by firms to present their financial situation to owners, creditors and the general public.

Financial statements are the end products of financial accounting, prepared by the accountant that purport to reveal the financial position of the enterprise, the result of its recent activities and an analysis of what has been done with the earnings.

According to John.N.Myer "The financial statements provide a summary of the accounts of a business enterprise, the balance sheet reflecting the assets, liabilities and capital as on a certain date and the income statement showing the results of operation during a certain period".

Nature of Financial Statements:

Financial statements are prepared for the purpose of presenting a periodical review or report by the management and deal with the state of investment in business and result achieved during the period under review.

According to the American institute of Certified public Accountants the Financial Statements reflects, "A combination of recorded facts, accounting conventions applied affects them materially". This implies that data exhibited in the Financial Statements are affected by recorded facts, accounting conventions and personal judgment.

- **Recorded Facts:** The term-recorded fact means facts that have been in the accounting books. Facts that have not been recorded in the financial books are not depicted in the financial statements, however, material they might be.

- **Accounting Convention:** Accounting conventions imply certain fundamental accounting principles, which have been sanctioned by long usage. For example; on account of the convention of conversation provision is made for expected losses but the real financial position of the business may be much better than what has been shown by financial statements.

- **Personal judgement:** personal judgement as also man important bearing on the financial statement. For example; the choice of selection method of depreciation lies on the accountant, similarly the made of amortization of fictitious assets also depends upon the personal judgement of the accountant.

NEED OF THE STUDY

The performance of any organization is evaluated through their sales performance and their profitability during the existence of the firm. Essentially the current study, which is part of the requirements to be fulfilled, aimed at, evaluation of the performance of **“Sony Electronics”.** Its performance is evaluated by taking the past five year’s financial reports.

OBJECTIVES OF THE STUDY

The present study entitled Financial statements performance evaluation is under taken with the following objectives:-

1. To know the literature regarding the financial statement analysis.

2. To evaluate of profitability position of Sony Electronics.

3. To draw conclusions and to suggest suitable measures to overcome problems, if any to improve its performance.

4. To know how financial statement analysis is helpful to analyze the financial position of the organization.

5. To evaluate the operating efficiency of the Sony Electronics.

6. To know the sales performance of the Sony Electronics.

SCOPE OF THE STUDY

The study related to the analysis of financial statements of **"Sony Electronics", Karimnagar** only. It doesn't include any other information relating to the other electrical companies.

RESEARCH METHODOLOGY

Methodology is a systematic procedure of collecting information in order to analyze and verify a phenomenon.

SOURCE OF DATA

The collection of data is done through two principle sources viz.,

1) Primary data

2) Secondary data

1) Primary data:

It is the information collected directly without any reference. In the study, it mainly interviews the concerned officers and staffs either individually or collectively.

Some of the information had been verified or supplemented with personnel interview with the officers

2) Secondary data:

The secondary data was collected from already published sources such as annual reports, internal records, references from text books and journals relating to financial management and society.

LIMITATIONS OF THE STUDY

The present study suffers from the following limitations

1. The study is restricted to financial performance of the organization with no attention given to production and marketing.

2. Comparative statements are computed from historical accounting records. So they possess those limitations and weakness as accounting records posses.

3. In profit and loss account, net profit is ascertained on the bases of historical costs.

4. Only five years data has taken into consideration to analyze the financial health of the company

5. As the some secrecy is maintained by the industry at the time of disclosing the data, complete information has not secured.

COMPANY PROFILE

Recognizing that environmental protection is one of the most pressing issues facing mankind today, Sony incorporates a sound respect for nature in all of its business activities. With this philosophy, Sony has defined environmental conservation as an important part of its management strategy. The Sony Group has created a global action plan and conducts environmental preservation programs. This program has five core components: reducing the environmental impact of business activities and production processes;

designing environmentally sensitive products and promoting recycling; developing environmental technologies; promoting the environmental education and full participation of Sony employees; and disclosing environmental information to the public.

PRODUCTS OF SONY ELECTRONICS

1. Television & Projector

Sony has developed a myriad of Television and Projectors, as well as accessories, to cater to all types of lifestyle and business needs. Those seeking the latest in technology can look to our cutting edge LCD TVs. If you wish to enjoy a home theatre experience, select from our Home Theatre Projectors or Projection TVs. We also have a line-up of Business Projectors to fit your purpose.

BRAVIA™ HD TV (LED & LCD)

Projector

2. Home Video

Sony's range of Home Video Systems and accessories are created to allow you to enjoy recordings of your favourite TV programs or your beloved movies repeatedly. Depending on your needs and budgets, we have the right system for you, ranging from the latest in technology, like the Blu-Ray Disc Player to the tested and trustworthy, like the VCR. The common thread between the old and the new is Sony's commitment to deliver the best in picture, sound and features to ensure you get the best.

Blu-ray Disc™ Players

Home Video Accessories

3. Home Audio

Sony's Home Audio systems offer big sounds from small packages. Our Hi-Fi systems and components are capable of delivering rich music, made richer with preset equalizer settings. They're also convenient, with multiple disc changers for putting in many CDs at one go. With AM/FM tuners, you're offered with more music choices. Some even house additional features such as the ability to handle multiple formats, track programming and repeat and random play.

Hi-Fi System

Home Audio Accessories

4. Home Theatre System

Combining the latest in video and audio technologies, Sony has developed a series of Home Theatre Systems that provides you with an enhanced home theatre experience. Our upscaling DVD players ensure the delivery of the best in video performance while our Digital Signal Processing guarantees a surround sound environment. Some are even compatible with the latest digital television and have dedicated audio input for connecting to your portable digital music players.

Blu-ray Home Theatre Systems

Home Theatre Component System

5. Compact Digital Camera

Breaking technological grounds, our Digital Imaging devices and accessories are created with you in mind. We have cameras with compact designs if you wish to carry it in your purse, and cameras with additional features if you're looking for that something extra. And for the true photography enthusiasts, we also offer digital SLR cameras that enable you to explore all areas of digital photography. Lastly, create lasting memories with your images-turned pictures with our digital photo printers.

Cyber-shot™ Digital Camera

Digital Photo Frame

6. Interchangeable Lens Camera

Pushing the envelope of innovation and technology, Sony's digital SLR cameras offer serious photographers nothing but the best. The digital SLR camera features high-performance features, so expect superior picture quality, high sensitivity, automatic increase of detail in bright and dark picture areas, smooth image stabilization and dual media options. The camera uses trustworthy Carl Zeiss® lens and has a comprehensive range of professional accessories.

SLT & DSLR Camera (A-mount)

SLT & DSLR Lens (A-mount)

7. Video Camera

It doesn't matter if you are making family videos, filming documentaries or developing feature films. Whatever the purpose, we have the right kind of camcorder you need and can afford. Sony's Handycam® Camcorders have a variety of different features and functions that help deliver spectacular video performances of stunning clarity.

Handycam® Video Camera

Handycam® Accessories

8. Computer & Peripherals

Combining form, function and the latest in technology, Sony provides a range of IT and computing devices, storage media, accessories and peripherals to better serve all your IT needs.

VAIO™ Laptop & Computer

Memory Card

9. Mobile Phone

With Sony Ericsson's colourful and innovative collection of mobile phones, you can definitely find one that will fit into your lifestyle, budget and shows off your character. We've also created a series of handy mobile phone accessories so you can spruce up your mobile phone's appearance, prevent it from damage, or enhance its usage.

INTRODUCTION

Financial statements are prepared primarily for decision making. They play a dominant role in setting framework of managerial decisions. The information provided in the financial statement is of immense use in making decisions through analysis and interpretations of financial statements.

Financial analysis is the process of identifying the financial strengths and weakness of firm by properly establishing the relationship between the items of balance sheet and profit and loss account. There are various methods / techniques used in analyzing financial statements such as comparative statements, trend analysis, common size statements, schedule of changes in working capital, funds flow and cash flow analysis, cost-volume-profit analysis and ratio analysis.

The purpose of financial analysis is to diagnose the information contained in financial statements so as to judge the profitability and financial soundness of the firm. Financial statements analysis is an attempt to determine the significance and meaning of the financial statement data so that forecast may be made of the future earnings, ability to earn interest and debt maturities both current and long term and profitability of a sound dividend policy.

Financial statement analysis is a process that examines past and current financial data for the purpose of evaluating performance and estimating future risk and potentials.

Financial statement analysis is used by investors, creditors, security analysts, bank lending officers, managers, governmental agencies, suppliers and many other parties who rely on financial data for making economic decisions about a company.

Financial statement analysis is defined as the process of identifying financial strengths and weaknesses of the firm by properly establishing relationship between the items of the balance sheet and the profit and loss account.

Analysis of financial statements focuses primarily on data provided in external reports plus supplementary information provided by the management.

The analysis should identify major changes or turning points in trends, amounts and relationships. Financial statements are merely summaries of detailed financial information. Many different groups are interested in getting inside financial statements, especially investors and creditors.

Their objectives are sometimes different but often related. However, the basic tools and techniques of financial statement analysis can be applied effectively by all the interested groups. Financial statement analysis can assist investors in finding the type of information they require for making decisions to their interests in a particular company.

Financial statement analysis is an evaluative method of determining the past, current and projected performance of a company.

Several techniques are commonly used as part of financial statement analysis including horizontal analysis, which compares two or more years of financial data in both dollar and percentage form; vertical analysis, where each category of accounts on the balance sheet is shown as a percentage of the total account; and ratio analysis, which calculates statistical relationships between data.

Financial reports are the primary means by which managers communicate company results to investors, creditors and analysts. These parties use the reports to judge company performance, to assess creditworthiness, to predict future financial performance and to analyze possible acquisitions and take-over's. Users of financial statements must be able to meaningfully interpret financial reports, construct measures of financial performance and analyze the reporting choices made by companies. Also, since company managers choose accounting techniques when making their reports, users must learn to undo the effects of these accounting choices.

It is the process of identifying financial strengths and weaknesses of the firm by properly establishing relationship between the items of the balance sheet and the profit and loss account.

There are various methods or techniques that are used in analyzing financial statements, such as comparative statements, schedule of changes in working capital, common size percentages, funds analysis, trend analysis, and ratios analysis.

Financial statements are prepared to meet external reporting obligations and also for decision making purposes. They play a dominant role in setting the framework of managerial decisions. But the information provided in the financial statements is not an end in itself as no meaningful conclusions can be drawn from these statements alone. However, the information provided in the financial statements is of immense use in making decisions through analysis and interpretation of financial statements.

Financial statement analysis is a study of accounting ratios between various items in financial statements. Ratios are classified as profitability ratios, liquidity ratios, asset utilization ratios, leverage ratios and valuation ratios based on the indications they provide. Balance sheet, Income statement and cash flow statements are the most important financial statements and if properly analyzed and interpreted can provide valuable insights into a company's business.

Objectives of Analysis of Financial Statements

Analysis of financial statements reveals important facts concerning managerial performance and the efficiency of the firm. Broadly speaking, the objectives of the analysis are to apprehend the information contained in financial statements with a view to know the weaknesses and strengths of the firm and to make a forecast about the future prospects of the firm thereby, enabling the analysts to take decisions regarding the operation of, and further investment in the firm.

To be more specific, the analysis is undertaken to serve the following purposes (objectives):

• to assess the current profitability and operational efficiency of the firm as a whole as well as its different departments so as to judge the financial health of the firm.

• to ascertain the relative importance of different components of the financial position of the firm.

• to identify the reasons for change in the profitability/financial position of the firm.

• to judge the ability of the firm to repay its debt and assessing the short-term as well as the long-term liquidity position of the firm.

Through the analysis of financial statements of various firms, an economist can judge the extent of concentration of economic power and pitfalls in the financial policies pursued. The analysis also provides the basis for many governmental actions relating to licensing, controls, fixing of prices, ceiling on profits, dividend freeze, tax subsidy and other concessions to the corporate sector.

COMPARATIVE BALANCE SHEET FOR THE YEAR 2016-2017

Particulars	2016(Rs.)	2017(Rs.)	Absolute change	Relative change
Assets				
(A) Current Assets				
Cash on Hand	182340.08	510329.84	327990	0.64
Other Assets	803414.00	520542.70	282871.3	0.54
Total Current Assets	985754.08	1030872.54	45118.5	0.043
(B) Investments	1030531.33	801135.64	229395.7	0.28
(C) Fixed Assets	482402.50	694239.82	211837	0.3
(D) Loans & Advances	2125724.50	1415638.50	710086	0.5
Profit & Loss Account	1133733.10	1511638.50	377905	0.24
Total Assets	5758145.51	5453660.50	304485	0.05
Liabilities				
(A)Shareholders Funds				
Capital	3567180.00	3620280.00	53100	0.014
Reserve & Surplus	301980.00	31350.00	270630	8.63
Long term Liabilities				
Deposits	1421150.00	1174807.45	246342.6	0.20
Other Liabilities				
Current Liabilities	523247.00	627223.00	103976	0.16
TOTAL:	**5758145.50**	**5453660.50**		

INTERPRETATION:

1. The Current Assets were increased from 2016 to 2017 i.e., 985754.08 to 1030872.54.
2. The Current Liabilities are also increased from 523247.00 to 627223.00.
3. The Current Assets are more when compared to the Current Liabilities. So the company solvency position is satisfactory.
4. The Fixed Assets increased from 482402.50 in 2016 to 694239.82 in the year 2017.
5. Reserve and surplus have increased from 301980.00 to 31350.00.

COMPARATIVE BALANCE SHEET FOR THE YEAR 2017-2018

Particulars	**2017(Rs.)**	**2018(Rs.)**	**Absolute change**	**Relative change**
Assets				
(A) Current Assets				
Cash on Hand	510,329.84	1,103,038.00	592,708.00	0.53
Other Assets	520,542.70	514,001.30	6,541.40	0.012
Total Current Assets	1,050,872.54	1,617,039.30	566,167.00	0.35
(B) Investments	810,135.64	1,576,179.84	766,044.00	0.48
(C) Fixed Assets	694,239.82	750,046.50	55,806.70	0.074
(D) Loans & Advances	1,415,638.50	2,085,233.00	669,595.00	0.32
Profit & Loss Account	1,511,774.00	1,432,295.02	79,478.98	0.05
Total Assets	**5,453,660.50**	**7,460,793.66**	2,007,133.00	0.26
Liabilities				
(A)Shareholders Funds				
Capital	3,620,280.00	4,429,120.00	808,840.00	0.18
Reserve & Surplus	31,350.00	69,420.00	38,070.00	0.54
Deposits	1,174,807.00	2,608,871.25	1,434,064.00	0.54
Current Liabilities	627,223.00	353,382.41	273,840.60	0.77
TOTAL:	**5,453,660.50**	**7,460,793.66**		

INTERPRETATION:

1. The Current Assets increased from 1,050,872.54 to 1,617,039.30.
2. The Current Liabilities decreased from Rs. 627,223.00 to 353,382.41 during the year.
3. The Fixed Assets increased from 694,239.82 to 750,046.50 i.e., from 2017 to 2018.
4. The deposits increased from 1,174,807.00 to 2,608,871.25. There is good increase in deposits of the company.
5. Reserve and surplus increased from 31,350.00 to 69,420.00. It indicates the profitability position of the company.

COMPARATIVE BALANCE SHEET FOR THE YEAR 2018-2019

Particulars	2018(Rs.)	2019(Rs.)	Absolute	Relative
Assets				
(A) Current Assets				
Cash on Hand	1,103,038.00	946,267.25	156,770.75	0.16
Other Assets	514,001.30	683,171.71	169,170.41	0.24
Total Current	1,617,039.30	1,629,438.96	12,399.66	0.007
(B) Investments	1,576,179.84	885,034.25	691,145.59	0.78
(C) Fixed Assets	750,046.50	800,681.50	50,635.00	0.063
(D) Loans &	2,085,233.00	3,997,254.50	1,912,021.50	0.47
Profit & Loss	1,432,295.02	1,343,396.48	88,898.54	0.06
Total Assets	7,460,793.66	8,655,805.59	1,195,011.93	0.13
Liabilities				
(A)Shareholders				
Capital	4,429,120.00	4,676,790.00	247,670.00	0.052
Reserve & Surplus	69,420.00	87,470.00	18,050.00	0.2
Long term				
Deposits	2,608,870.25	3,441,393.53	832,523.28	0.24
Current Liabilities	353,382.41	45,152.16	308,230.25	6.82
TOTAL:	**7,460,793.66**	**8,655,805.69**		

INTERPRETATION:

1. The Current Assets increased from the year 2018 i.e., 1,617,039.30 to 1,629,438.96 in 2019.
2. The Current Liabilities decreased in the year 2019 i.e., 353,382.41 when compared to the year 2018 i.e., 45,152.16.
3. The fixed Assets increased from 750,046.50 to 800,681.50 i.e., from 2018 to 2019.
4. Long Term Liabilities increased from 2,608,870.25 to 3,441,393.53 in the year 2019 when compared to 2018
5. Reserve & surplus increased from 69,420.00 to 87,470.00 in the year. It shows the company position is satisfactory.
6. The overall the financial position of the company is better and satisfactory.

COMPARATIVE BALANCE SHEET FOR THE YEAR 2019-2020

Particulars	2019(Rs.)	2020(Rs.)	Absolute change	Relative change
Assets				
(A) Current Assets				
Cash on Hand	4,30,418.04	1,82,340.80	248077.96	57.64
Other Assets	3,24,601.00	5,58,343.55	233742.55	72.00
Interest Receivable	1,41,758.00	2,45,070.45	103312.45	72.00
Total Current Assets	8,96,777.04	9,85,754.08	88977.04	9.92
(B) Investments	9,63,669.73	10,30,531.33	66861.60	6.94
(C) Fixed Assets	6,91,023	4,82,402.50	208620.50	30.19
(D) Loans & Advances	30,65,226.50	21,25,724.50	939502.00	30.65
Profit & Loss Account	5,08,524.23	11,33,733.10	625208.87	122.95
Total Assets	61,25,220.50	57,58,145.51	367076.00	6.00
Long Term Liabilities				
Current Liabilities	143604.00	523247.00	379643.00	264.37
Other Liabilities	345674.00	216277.50	129396.50	37.43
Deposits	20,46,682.50	14,21,150.00	625532.50	30.56
Capital	3559180.00	3567280.00	8100.00	0.20
Reserve	30080.00	30190.00	110.00	0.37
TOTAL:	**61,25,220.50**	**57,58,145.51**	**367076.00**	**6.00**

INTERPRETATION:

1. The Fixed Assets decreased by Rs. 208620.50 when compared to the previous year i.e., 2019.
2. Long Term Liabilities decreased from Rs.345674 to Rs.216277.5 i.e, from the year 2019 to 2020.
3.
4. The Current Assets are increased by 88977.04 i.e., (8,96,777.04 - 9,85,754.08).
5. The fixed assets decreased by Rs. 208620.5 during the year 2020.
6. The Reserves and surplus increased from Rs.30080 to Rs.30190 i.e., in the year 2019 to 2020.

COMPARATIVE BALANCE SHEET FOR THE YEAR 2020-2021

Particulars	2020(Rs.)	2021(Rs.)	Absolute	Relative
Assets				
(A) Current Assets				
Cash on Hand	4,30,418.04	1,82,340.80	17803662	41.36365
Other Assets	3,24,601.00	5,58,343.55	233742.6	0.720182
Interest Receivable	1,41,758.00	2,45,070.45	103312.5	0.728795
Total Current Assets	8,96,777.04	9,85,754.08	88977.04	0.099219
(B) Investments	9,63,669.73	10,30,531.33	66861.6	0.069382
(C) Fixed Assets	6,91,023	4,82,402.5	208620.5	0.301901
(D) Loans &	30,65,226.50	21,25,724.5	939502	0.306503
Profit & Loss A/c	5,08,524.23	11,33,733.10	625208.9	1.229457
Total Assets	61,25,220.50	57,58,145.51	367074.99	0.059928
Long Term Liabilities				
Current Liabilities	35,59,180.00	35,67,280.00	8100	0.002276
Other Liabilities	30,080.00	30,190.00	110	0.003657
Deposits	20,46,682.50	14,21,150.00	625532.5	0.305632
Reserve	3,45,674.00	2,16,277.50	129396.5	0.374331
TOTAL:	**61,25,220.50**	**57,58,145.51**	367074.99	0.059928

INTERPRETATION:

1. In 2020, the Current Assets were increased i.e., from 8,96,777.04 to 9,85,754.08.
2. There was a margin of increase in Current Liabilities from 2020-19 (Rs.35,59,180 to 35,67,280).
3. The Fixed Assets were decreased from 6,91,023 to 4,82,402. It indicates decrease of funds.
4. Reserves are decreased from the year 2020 to 2021 i.e., 3,45,674 to 2,16,277.
5. Profit increased from the year 2020 to 2021 i.e., 5,08,524.23 to 11,33,733.10.

FINDINGS

1. It is obvious from the study that the company is maintaining average cash balance which may stable day to day operations of the company.

2. The company's current assets are also increased during the study period. It shows the company liquidity position is good.

3. The current liabilities are flexible in nature. They are increased from the years 2016-2017 and later on decreased from the year 2018-2020.

4. The reserves are decreased in the years 2021, and increased in the years 2017, 2018, 2019 and 2020.

5. The fixed assets are decreased in the years 2021 and 2020 but increased in the years 2017, 2018 and 2019.

SUGGESTIONS

1. The company should try to reduce interest payable on liabilities like borrowing and loans.
2. It is necessary for the company to have a stable and increasing rate of growth in profits. For this has to cut short its administrative and other operating expenses and increase its operating efficiency.
3. Company has mobilized deposits. It is a good sign to the company. Advice to the company is to maintain same trend in future to attract more customers.

CONCLUSION

The present study of financial statement analysis is related to the analysis of financial position of the Sony electronics. It included the 5 years analysis of the statement of the company.

- Current assets are less when compared to the current liabilities and net profit also increased in the year 2021 when compared to the year 2020.

- The Current Assets are more when compared to the Current Liabilities in the year 2017. So the company solvency position is satisfactory. The long term Liabilities decreased in 2017 when compared to 2016.

- Current assets are more than the current liabilities in the year 2018 and The Fixed Assets increased from 2017 to 2018.

- The Current Assets increased from the year 2018 to 2019.

- The Current Assets are increased in the year 2020 and fixed assets decreased during the year 2020.

The overall the financial position of the company is better and satisfactory

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A STUDY ON

COST ANALYSIS ON COCOLA ENTERPRISES KARIMNAGAR

STUDENT STUDY PROJECT SUBMITTED TO THE COMMISSIONER OF COLLEGIATE EDUCATION, Hyderabad

Under the
JIGNASA
SUBMITTED
BY

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INTRODUCTION

Finance may be defined as the provision of money at the time where, it is required. Finance refers to the management of flow of money through an organization. It concerns with the application of skills in the manipulation, use and control of money. Different authorities have interpreted the term "Finance" differently. However, there are three main approaches to finance.

1. The first approach views finance as to providing of funds needed by a business on most suitable terms. This approach confines finances to the raising of funds and to the study of financial institutions and instruments

from where funds can be procured.

2. The second approach relates finance to cash.

3. The third approach views finance is being concerned with rising of funds and their effective utilization.

Definition of Financial Management:

Financial Management as practice by corporate firms can be called corporation finance or business finance. Financial Management refers to that part of the management activity, which is concerned with the planning & controlling of firms financial resources. It deals with finding out various sources for raising funds for the firm. The sources must be suitable and economical for the needs of the business. The most appropriate use of such funds also forms a part of Financial Management.

Objective of Financial Management

Financial Management is concerned with procurement and use of funds. Its main aim is to use business funds in such a way that the firm's value / earning are maximized. There are various alternatives available for using business funds. The pros & cons of various decisions have to look into before making a final selection.

Financial Management provides a frame work for selecting a proper cause if action and decision available commercial strategy. The main objective of a business is to maximize the owner economics welfare. These objectives can be achieved by

1. Profit maximization and
2. Wealth maximization

The **cost of capital** is a term used in the field of financial investment to refer to the cost of a company's funds (both debt and equity), or, from an investor's point of view "the shareholder's required return on a portfolio of all the company's existing securities".

It is used to evaluate new projects of a company as it is the minimum return that investors expect for providing capital to the company, thus setting a benchmark that a new project has to meet.

The objective of cost of capital is to

- Describe the advantages and disadvantages of financial leverage.
- Compute the financial leverage index, debt to capital ratio, debt to equity ratio, and other techniques for analyzing capital structure.
- Relate capital structure composition to owner and creditor investment objectives.
- Capital structure composition.
- Consists of long-term liabilities, preferred stock, common stock, and retained earnings.

- Sufficient equity must exist to provide financial stability.
- Debt can be used as leverage to increase returns to shareholders, but it can also reduce returns on shareholders' investments

OBJECTIVES OF THE STUDY

- The basic objective of studying the cost of capital and capital structure of the company is to know the financial position of the company.
- To know the debt-equity position of the company.
- To study the operating leverage and financial leverage so as to know the fixed cost of Anitha Enterprises (Cocacola).
- To know the stock reserve for sales of the business.
- To know the solvency of the business and the capacity to give interest to the long term loan lenders (debenture holders) and dividend to the share holders.
- To study the balance of cash and credit in the organization.

RESEARCH METHODOLOGY:

Research design:

The descriptive form of research method is adopted for study.

The major purpose of descriptive research is description of state of affairs of the institution as it exists at present. The nature and characteristics of the financial statements of Anitha Enterprises (Cocacola)have been described in this study.

Nature of data:

The data required for the study has been collected from secondary source .The relevant information were taken from annual reports, journals and internet.

Methods of data collection:

This study is based on the annual report of Anitha Enterprises (Cocacola). Hence, the information related to leverage, short term and long term solvency were very much required for attaining the objectives of the present study.

Tools applied:

To have a meaningful analysis and interpretation of various data collected, the following tools were made for this study.

- **PBIT-EPS analysis**
- **ROI-ROE analysis**
- **Operating leverage analysis**
- **Financial leverage analysis**

LIMITATIONS OF THE STUDY:

- The analysis was made with the help of the secondary data collected from the company.
- All the limitations of PBIT-EPS analysis, ROI-ROE analysis, operating leverage analysis and financial leverage analysis and interpret are applicable to this study.
- The period of study is 5 years from 2020-2021. Because of given task I have to choose only 5 years.

A. **PBIT-EPS ANALYSIS**

PBIT-EPS ANALYSIS FROM 2017-202120 ;-

1. PBIT-EPS ANALYSIS 2020

EPS = (PBIT-I)(1-t)/n

EPS=(136.08-30.64)(1-.241)/831.52

EPS=(105.44*.759)/831.52

EPS=.096

2. PBIT-EPS ANALYSIS 2020

EPS=(221.17-30.43)(1-.297)/2578.80

EPS=(190.74*.703)/2578.80

EPS=.051

3. PBIT-EPS ANALYSIS 2019

EPS=(193.08-93.87)(1+.039)/2578.80

EPS=(99.21*1.039)/2578.80

EPS=.039

4. PBIT-EPS ANALYSIS 2018

EPS=(317.29-109.85)(1-.228)/2578.80

EPS=(207.44*.772)/2578.80

EPS=.062

5. PBIT-EPS ANALYSIS 2017

EPS=(426.11-115.46)(1-.726)/2578.80

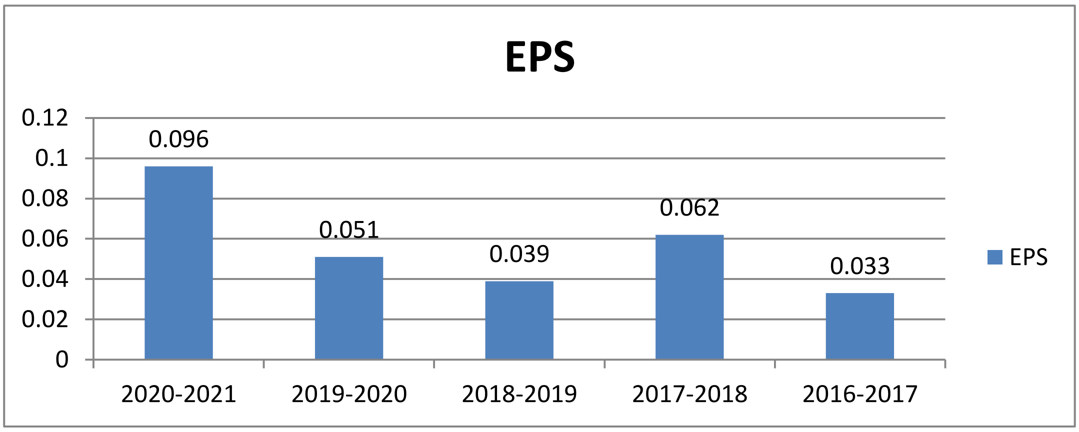
EPS=(310.65*.274)/2578.80

EPS=.033

TABLE -1

PBIT-EPS ANALYSIS

YEAR	EPS
2020-2021	.096
2019-2020	.051
2018-2019	.039
2017-2018	.062
2016-2017	.033



Interpretation and Analysis:

The above table and diagram shows that the EPS in the year 2020-2021 was .096 and then it decreases to .051 in the year 2020-2019, further decrease to .039 in the year 2019-2018 and in the year 2017-2018 it increase.062 and finally in the year 2016-2017 it again moved down to .033.

We know that company earnings per share is decreasing continuously but in 2018-2017 the EPS is high its mean share holder wealth is maximizing but in 2016-2017 again decreasing because in this period there were a dispute between management and employee and because of strike company is in lose so company should take serious step regarding employee satisfaction for to improve shareholder wealth

B. LEVERAGE ANALYSIS

1. DEGREE OF OPERATING LEVERAGE (DOL)
2. DEGREE OF FINANCIAL LEVERAGE (DFL)
3. DEGREE OF TOTAL LEVERAGE (DTL)

1. DEGREE OF OPERATING LEVERAGE

DOL 2020

DOL=GROSS PROFIT / EBIT

DOL=882.45/136.08

DOL=6.484

DOL 2020

DOL= GROSS PROFIT / EBIT

DOL=1161.21/221.17

DOL=5.254

DOL 2019

DOL=GROSS PROFIT / EBIT

DOL=1895.53/193.08

DOL=9.817

DOL 2018

DOL= GROSS PROFIT / EBIT

DOL=1704.72/317.29

DOL=5.372

DOL 2017

DOL=GROSS PROFIT / EBIT

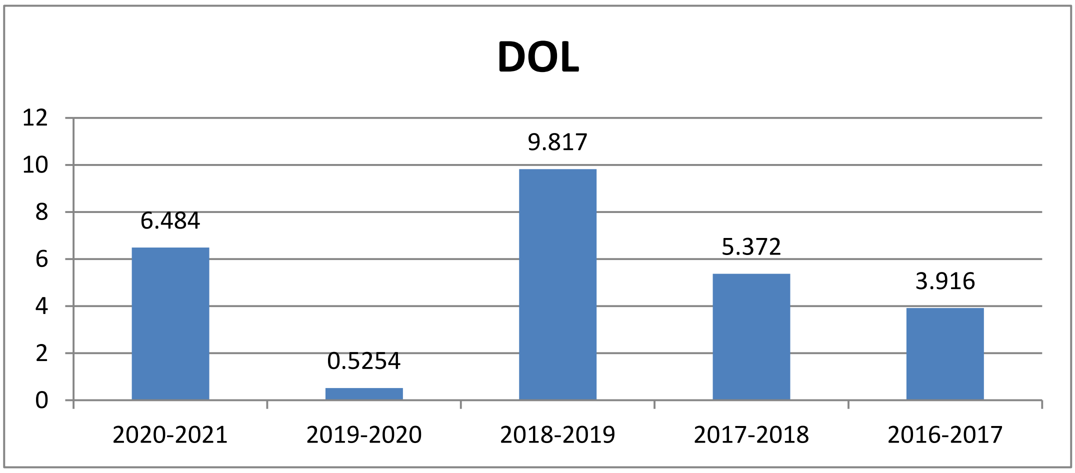
DOL=1668.90/426.11

DOL=3.916

TABLE-2

DEGREE OF OPERATING LEVERAGE:

YEAR	DOL
2020-2021	6.484
2019-2020	.5254
2018-2019	9.817
2017-2018	5.372
2016-2017	3.916



Interpretation and Analysis:

The above table and diagram shows the operating leverage during the study period except in the year 2018-202119 is more than previous year but in year 2017-2018 it again decreased and year 2016-2017 it again come down

The DOL is an index number which measures the effect of a change in sales on operating income, or EBIT. It shows that company is giving fewer amounts and bear less depreciation charge it is good for company.

2. DEGREE OF FINANCIAL LEVERAGE

DFL 2010

DFL=PBIT / PBT

DFL=136.08/86.76

DFL=1.568

DFL 2011

DFL=PBIT/PBT

DFL=221.17/161.20

DFL=1.372

DFL 2015

DFL=PBIT/PBT

DFL=193.08/72.48

DFL=2.663

DFL 2016

DFL=PBIT/PBT

DFL=317.29/140.74

DFL=2.254

DFL 2017

DFL=PBIT / PBT

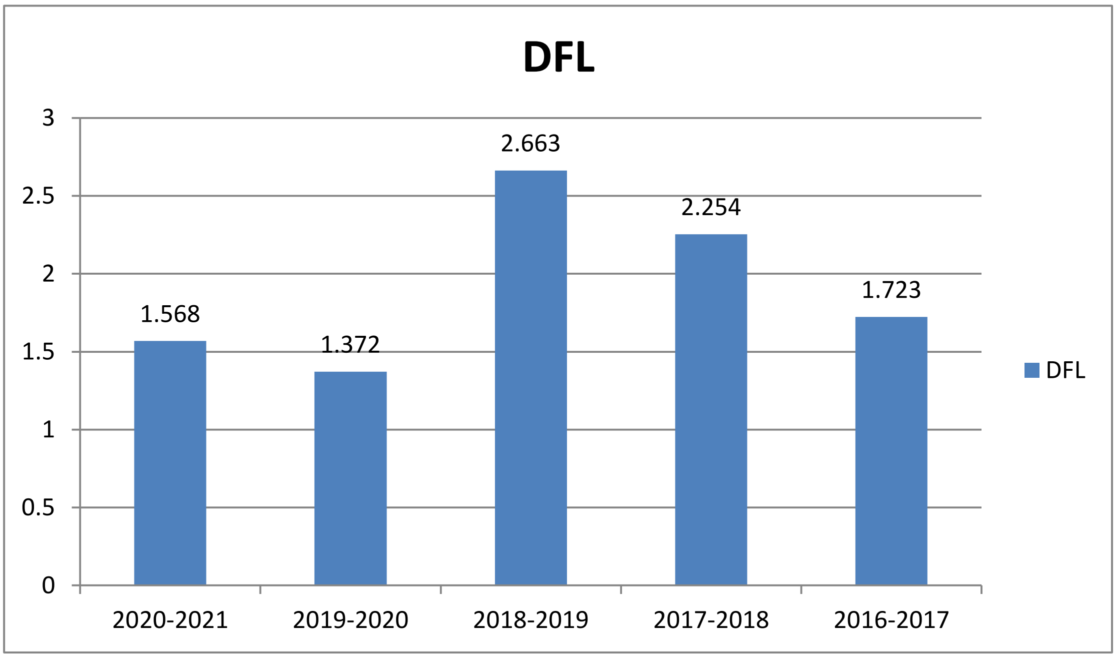
DFL=426.11/247.26

DFL=1.723

TABLE-3

DEGREE OF FINANCIAL LEVERAGE:

YEAR	DFL
2020-2021	1.568
2019-2020	1.372
2018-2019	2.663
2017-2018	2.254
2016-2017	1.723



Interpretation and Analysis:

The above table and diagram shows the student period 2020-2021 to 2016-2017.in the year 2018-2019 it was very high it was not good for the company because during this period company is paying fixed interest on debt but in year 2016-2017 it comes down it mean company is paying less interest so it is good for company or company is improving its position.

3. DEGREE OF TOTAL LEVERAGE

DTL 2020

DTL=DOL*DFL

DTL=6.484*1.568

DTL=10.17

DTL 2020

DTL=DOL*DFL

DTL=.5254*1.372

DTL=.720

DTL 2019

DTL=DOL*DFL

DTL=9.817*2.663

DTL=26.14

DTL 2018

DTL=DOL*DFL

DTL=5.372*2.254

DTL=12.108

DTL 2017

DTL=DOL*DFL

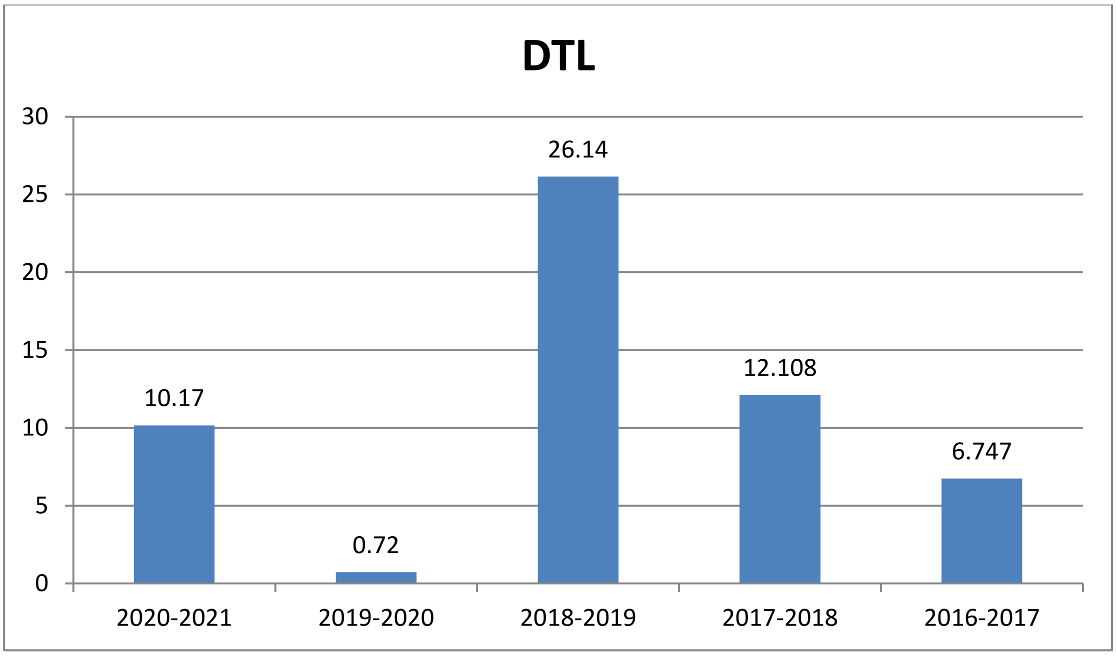
DTL=3.916*1.723

DTL=6.747

TABLE-4

DEGREE OF TOTAL LEVERAGE:

YEAR	DTL
2020-2021	10.17
2019-2020	.720
2018-2019	26.14
2017-2018	12.108
2016-2017	6.747



B) LEVERAGE RATIOS:

Many financial analyses are interested in the relative use of debt and equity in the firm. The term 'solvency' refers to the ability of a concern to meet its long-term obligation.

Accordingly, long-term solvency ratios indicate a firm's ability to meet the fixed interest and costs and repayment schedules associated with its long-term borrowings. (E.g.) debt equity ratio, proprietary ratio, etc.…

i) DEBT EQUITY RATIO:

It expresses the relationship between the external equities and internal equities or the relationship between borrowed funds and 'owners' capital. It is a popular measure of the long-term financial solvency of a firm. This relationship is shown by the debt equity ratio.

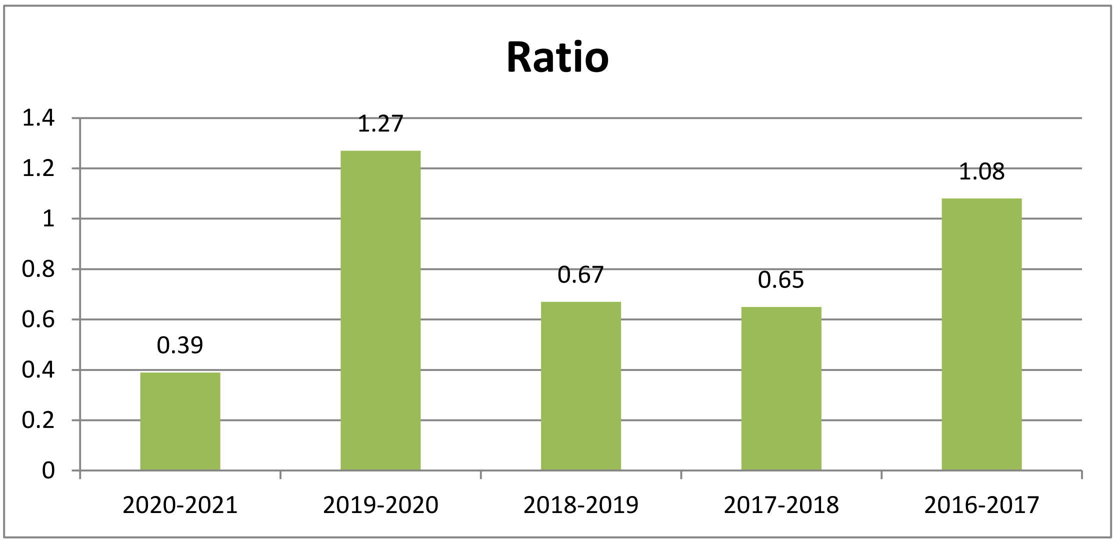
This ratio indicates the relative proportion of dept and equity in financing the assets of a firm. This ratio is computed by dividing the total debt of the firm by its equity (i.e.) net worth.

$$\textbf{Debt equity ratio} = \frac{\textbf{Outsider's funds}}{\textbf{Proprietor's funds}}$$

TABLE-5

DEBT EQUITY RATIO

Year	Outsider's funds in Rs. Cr	Proprietor's funds in Rs. Cr	Ratio
2020-2021	175.71	450.09	0.39
2019-2020	512.16	402.61	1.27
2018-2019	674.85	1001.55	.67
2017-2018	766.85	1168.70	.65
2016-2017	906.45	833.80	1.08



Interpretation and Analysis:

The above table and diagram shows the debt equity relationship of the company during the study period. It was 0.39 in the 2020-2021 and then reached its highest in the next year and from there it began to slope downwards and ultimately came to 1.08 in the year 2016-2017.

In all the years the equity is more when compared with borrowings. Hence the company is maintaining its debt position

ii) PROPRIETARY RATIO:

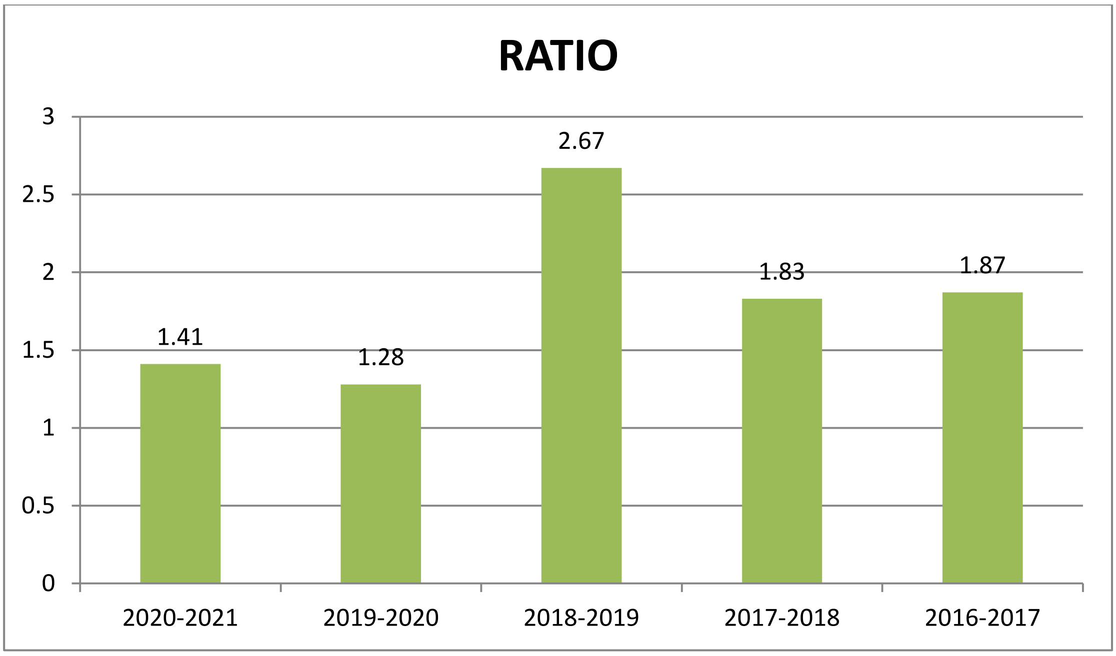
Proprietary ratio relates to the proprietors funds to total assets. It reveals the owners contribution to the total value of assets. This ratio shows the long-time solvency of the business it is calculated by dividing proprietor's funds by the total tangible assets.

$$\textbf{Proprietary ratio} = \frac{\textbf{Proprietor's funds}}{\textbf{Total tangible assets}}$$

TABLE-5

PROPRIETARY RATIO

YEAR	PROPRIETOR'S FUNDS IN RS. CR	TOTAL ASSETS IN RS. CR	RATIO
2020-2021	450.09	317.55	1.41
2019-2020	402.61	312.97	1.28
2018-2019	1001.55	374.77	2.67
2017-2018	1168.70	638.11	1.83
2016-2017	833.80	444.60	1.87



Interpretation and Analysis:

The above table and diagram shows the proprietary ratio during the study period. In all the years the owner's contribution to the total assets was appropriate and they maintain their share in the company's assets.

Except 2020-2020 in all the years the proprietor's contribution in to the total assets is more than the 2/3. During 2018-2019 it is more than 50%.

C. **ROI-ROE ANALYSIS**

ROE= [ROI+(ROI-r)D/E](1-t)

RETURN ON INVESTMENT = Net profit /capital employed × 100

(ROI)

ROI OF 2020

ROI=99.52/644.22*100

ROI=15.44

ROI OF 2020

ROI=131.50/932.85*100

ROI=14.09

ROI OF 2019

ROI=75.43/1693.59*100

ROI=4.45

ROI OF 2018

ROI=111.52/1952.42*100

ROI=5.71

ROI OF 2017

ROI=169.78/1756.79*100

ROI=9.66

ROI-ROE ANALYSIS 2020

ROE=[ROI+(ROI-r)D/E](1-t)

ROE=[15.44+(15.44-10)*.39](1-.24)

ROE= 13.34

ROI-ROE ANALYSIS 2020

ROE=[ROI+(ROI-r)D/E](1-t)

ROE=[14.09+(14.09-12)*1.27](1-.29)

ROE= 12.59

ROI-ROE ANALYSIS 2019

ROE=[ROI+(ROI-r)D/E](1-t)

ROE=[4.45+(4.45-10)*.67](1-.039)

ROE=o.88

ROI-ROE ANALYSIS 2018

ROE=[ROI+(ROI-r)D/E](1-t)

ROE=[5.71+(5.71-12)*.65](1-.228)

ROE= 1.25

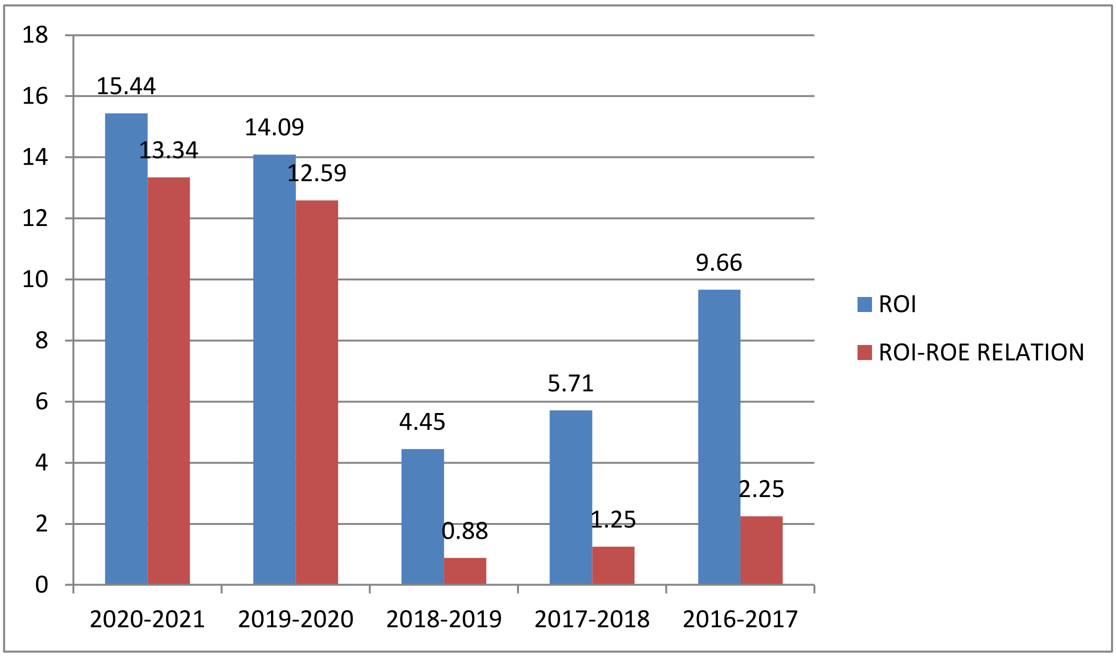
ROI-ROE ANALYSIS 2017

ROE=[ROI+(ROI-r)D/E](1-t)

ROE=[9.66+(9.66-11)*1.08](1-.726)

ROE=2.25

YEAR	ROI	ROI-ROE RELATION
2020-2021	15.44	13.34
2019-2020	14.09	12.59
2018-2019	4.45	.88
2017-2018	5.71	1.25
2016-2017	9.66	2.25



INTERPRETATION

In the study of 2020-2020 to 2016-2017 the return on equity from 2019-202120 was good but in year 2020-2017 it was not good its mean investment is not up to the mark it’s a drawback for shareholder so company should work hard to control this low graph.

FINDINGS

1. In all the years the debt equity is more, when compared with borrowings. Hence the company is maintaining its debt position.

2. The proprietary ratio during the study period to the total assets is more than the 2/3. During 2020-2021 it is more than 50%.

3. In all the years the equity is more when compared with borrowings. Hence the company is maintaining its debt position.

4. Earnings per share of the company is decreasing.

5. Degree of financial leverage is decreasing.

6. Intangible assets of the company is increasing 38 to 100.

7. Liabilities on company is increasing from 3736 to 5096.

8. Net current assets of the company is decreasing 6962 to 5379.

CONCLUSIONS

On studying the financial performance of Anitha Enterprises (Cocacola)Tractors for a period of five years from 2017-202120, the study reveals that the financial performance is better. Anitha Enterprises (Cocacola)has been able to maintain optimal cost positioning. Despite price drops in various products, the company has been able to maintain and grow its market share to make strong margins in market, contributing to the strong financial position of the company.

The company was able to meet its entire requirements for capital expenditures and higher level of working capital commitment with higher volume of operations and from its operating cash flows.

The company should now give more importance to exports because it provides good net sales realization but also export benefits.

SUGGESTIONS

1. The company's profit over the years has been decreasing when compared to previous years and even it incurred loss in the last year. The company must increase the profit in future. The company must take steps to increase the profit level.

2. A Non-operating expense of the company is high. So the management should take necessary steps to reduce the non-operating expenses. The management should take steps to reduce the borrowed capital.

3. The liquidity position of the company is quite satisfactory. And this must be improved further for the purpose of proper utilization of the liquid assets of the company.

4. The EPS position of the company is not satisfactory for the last five years. It is fluctuating over the years and there is no standard ration maintained. So the management should take steps to improving the position of the company.

5. Debt equity ratio has satisfactory for the past years. So the company has enough scope for the more long-term borrowings from the outsiders as its current ratio is also good and has a sufficient amount of current assets.

6. The sales of the organization can be further increased by improving the quality through optimum utilization of company's resources (i.e. assets, raw materials, credit system, etc.) and that in turn will increase the overall profits of the organization.

7. The Management must find out the reasons for the decrease in sales and must take appropriate measures.

8. The Management must also study the market position and it also find the demand prevailing in the market for the products and thus this will guide them to enhance their sales volume.

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A STUDY ON

COMPARATIVE BALANCE SHEET OF VOPDAFONE IDEA KARIMNAGAR

STUDENT STUDY PROJECT SUBMITTED TO THE COMMISSIONER OF COLLEGIATE EDUCATION, Hyderabad

Under the
JIGNASA
SUBMITTED
BY

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DECEMBER, 2021

INTRODUCTION

Financial Management means planning, organizing, directing and controlling the financial activities such as procurement and utilization of funds of the enterprise. It means applying general management principles to financial resources of the enterprise.

Scope/Elements

1. Investment decisions includes investment in fixed assets (called as capital budgeting). Investment in current assets are also a part of investment decisions called as working capital decisions.

2. Financial decisions - They relate to the raising of finance from various resources which will depend upon decision on type of source, period of financing, cost of financing and the returns thereby.

3. Dividend decision - The finance manager has to take decision with regards to the net profit distribution. Net profits are generally divided into two:

    a. Dividend for shareholders- Dividend and the rate of it has to be decided.

    b. Retained profits- Amount of retained profits has to be finalized which will depend upon expansion and diversification plans of the enterprise.

Objectives of Financial Management

The financial management is generally concerned with procurement, allocation and control of financial resources of a concern. The objectives can be-

1. To ensure regular and adequate supply of funds to the concern.

2. To ensure adequate returns to the shareholders which will depend upon the earning capacity, market price of the share, expectations of the shareholders.

3. To ensure optimum funds utilization. Once the funds are procured, they should be utilized in maximum possible way at least cost.

4. To ensure safety on investment, i.e, funds should be invested in safe ventures so that adequate rate of return can be achieved.

5. To plan a sound capital structure-There should be sound and fair composition of capital so that a balance is maintained between debt and equity capital.

Functions of Financial Management

1. **Estimation of capital requirements:** A finance manager has to make estimation with regards to capital requirements of the company. This will depend upon expected costs and profits and future programmes and policies of a concern. Estimations have to be made in an adequate manner which increases earning capacity of enterprise.

2. **Determination of capital composition:** Once the estimation have been made, the capital structure have to be decided. This involves short- term and long- term debt equity analysis. This will depend upon the proportion of equity capital a company is possessing and additional funds which have to be raised from outside parties.

3. **Choice of sources of funds:** For additional funds to be procured, a company has many choices like-

    a. Issue of shares and debentures

    b. Loans to be taken from banks and financial institutions

    c. Public deposits to be drawn like in form of bonds.

    Choice of factor will depend on relative merits and demerits of each source and period of financing.

4. **Investment of funds:** The finance manager has to decide to allocate funds into profitable ventures so that there is safety on investment and regular returns is possible.

5. **Disposal of surplus:** The net profits decision have to be made by the finance manager. This can be done in two ways:

a. Dividend declaration - It includes identifying the rate of dividends and other benefits like bonus.

b. Retained profits - The volume has to be decided which will depend upon expansional, innovational, diversification plans of the company.

6. **Management of cash:** Finance manager has to make decisions with regards to cash management. Cash is required for many purposes like payment of wages and salaries, payment of electricity and water bills, payment to creditors, meeting current liabilities, maintainance of enough stock, purchase of raw materials, etc.

7. **Financial controls:** The finance manager has not only to plan, procure and utilize the funds but he also has to exercise control over finances. This can be done through many techniques like ratio analysis, financial forecasting, cost and profit control, etc.

COMPARATIVE BALANCESHEET

A comparative balance sheet is a statement that shows the financial position of an organization over different periods for which comparison is made or required. The financial position is compared with 2 or more periods to depict the trend, direction of change, analyze and take suitable actions.

Given the usefulness of the comparative balance sheet, most of the business who have different business vertical, prepare a comparative balance sheet in comparison with other business vertical.

In preparing a comparative balance sheet, the items are placed in rows, and years and amounts are shown in the columns

The value and insights that comparative balance brings to the table is of immense importance to the business owners and other decision-makers. You can quickly get to know the things which are doing good and the ones that need your attention.

Given the usefulness of the comparative balance sheet and other financial statements, most business today have automated the process of preparing a comparative balance sheet using accounting software. Using accounting software or ERP system makes it possible for you to generate comparative statements on-time for confident decision making.

In Tally.ERP 9, drawing the comparative analysis is so simple that the comparative balance sheet is ready at a blink of an eye. You will great flexibility to choose the period (Weekly, monthly, half-yearly etc.) for which you want to compare instead of the comparative report only for a financial year.

You can also compare the balance sheet and other reports across other company. This along with serval tools designed to aid analysis makes it a preferred accounting software for business like you.

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NEED FOR THE STUDY

This study has been selected to analyse the annual reports of Idea Celluar Company. An annual report can give us a lot of important information about a company. Properly comparing a balance sheet with the corresponding profit and loss account to determine the strengths and weaknesses of a business describes financial statement analysis. "In a technical sense, financial statements summarize the accounting process and provide a tabulation of account titles and amounts of money," reports Reference for Business. Financial statements help communicate what financial decisions have been made and how they affect the bottom line.

OBJECTIVES OF THE STUDY

1. To know the concepts of annual report analysis.
2. To study the firms long term solvency and survival.
3. To study the increment or decrement in the assets and liabilities of the organization.
4. To know the long term debts' position.
5. To offer suggestions, if any

SCOPE OF THE STUDY

For the current study of annual report analysis, Idea has been selected. The study is confined to Idea only in the Karimnagar. The study covers the annual reports of Idea only. It deals with analysis of annual report of Idea.

RESEARCH METHODOLOGY

Research in the context of public health thus aims to provide all aspects of information necessary for planning and the effective implementation of a health system. For all communities, whether affluent or poor, health research is the top priority. The research questions are formidable: how to join with policy makers and communities in assessing priority needs, planning, financing and implementing programs, and evaluating them in terms of coverage, efficiency and effectiveness.

For this study, Idea, Karimnagar has been selected. The period of study covers 5 years (2017-2021).

The present study is based on the data collected from primary and secondary sources.

Primary data

Primary data is information that you collect specifically for the purpose of your research project. An advantage of primary data is that it is specifically tailored to your research needs.

There is no primary data used for this study.

Secondary data

Secondary data refers to data that was collected by someone other than the user. Common sources of secondary data for social science include censuses, information collected by government departments, organisational records and data that was originally collected for other research purposes.

The data was also collected from books of finance and annual reports of Idea, Karimnagar.

REFERABLE PERIOD

The period taken into consideration for the study is 5 financial years i.e.: 2017-2021.

LIMITATIONS OF THE STUDY

- The data which has been used for the study is of only the period of 5 years. This analysis has been made purely dependent on the data.
- The methodology for the study includes only the annual report analysis.
- The analysis has been done from past data annual report of Idea.
- The study is purely based on the data in the form of Annual Reports and appraisal Reports.
- The study is only pertaining to Idea Cellular.

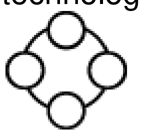
COMPANY PROFILE

Vodafone Idea Limited is an Aditya Birla Group and Vodafone Group partnership. The Company provides pan India Voice and Data services across 2G, 3G and 4G platform. With the large spectrum portfolio to support the growing demand for data and voice, the company is committed to deliver delightful customer experiences and contribute towards creating a truly 'Digital India' by enabling millions of citizens to connect and build a better tomorrow. The Company is developing infrastructure to introduce newer and smarter technologies, making both retail and enterprise customers future ready with innovative offerings, conveniently accessible through an ecosystem of digital channels as well as extensive on-ground presence. The Company is listed on National Stock Exchange (NSE) and BSE in India.

Our Mission

Customers

Be the most loved brand by continuously raising the bar in delivering simple, delightful experience and meaningful innovations, through new age technologies



Team

Be an inspirational, agile and exciting organisation that challenges the status quo, and champions a diverse team that has a winning attitude and thrives on delivering customer excellence

Shareholders

Be the most valued company through smart leadership committed to delivering sustainable growth, while adhering to the highest standards of governance and compliance

Community

Be the most respected company by leveraging technology and purposeful innovation to catalyze social prosperity, digital literacy and inclusivity

Our Values

> Our values embody the spirit of our brand. They serve as the guiding principles for our every thought and action

Speed

We act with SPEED. Always. Procrastination is our enemy

Digital

We choose to be DIGITAL - FIRST, to make things simple for ourselves and our customers

Trust

We are straightforward and open in all that we do, to build a culture that fosters TRUST

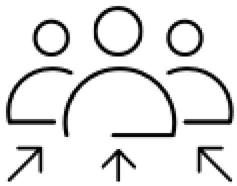
Bold

We always adopt a BOLD outlook and are not afraid of failure

Passion

We act with PASSION for our brand and our customers

Our Offerings

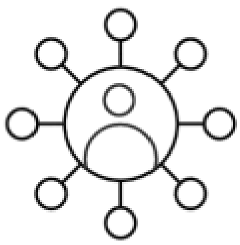


Consumer

Welcome to the world of Vodafone Idea Limited, where our millions of customers are at the heart of everything that we do.

We use the power of technology to enhance our customers' lives – through ubiquitous presence and connectivity through our PAN India urban and rural coverage, a continuously expanding 4G LTE network, integrated worry free propositions and some of the best entertainment on mobile – all packaged into a completely unmatched customer experience.

Our innovative and truly differentiated offerings – be it our Prepaid Unlimited propositions, RED Postpaid plans, Truly Unlimited International Roaming products and many others - reflect the passion with which we aim to serve our customers, always!



Enterprise

Vodafone Idea Business Services is committed to being the most trusted and valued partner helping businesses succeed in a digital world. Our Total Communications solutions empower global and Indian corporations, public sector & government bodies, small & medium enterprises and start-ups.

From market-leading Enterprise Mobility, robust Connectivity and world-class IoT Solutions, to superior Business Communication & Cloud and insightful Business Analytics & Enabling Solutions, we bring the smartest and newest technologies to serve businesses in the digital era.

Our global expertise and deep local knowledge makes us the preferred digital enablement partner of enterprises across India. No matter which sector you operate in and regardless of your size and scale, business is better when we are together

Statement form or Vertical form: Balance Sheet of---- as on---

	Schedule No.	Current year Rs.	Previous year No.
I SOURCE OF FUNDS			
1. Share Holder's Funds			
a) Capital		xxx	xxx
b) Reserves and Surplus		xxx	xxx
2. Loan Funds			
a) Secured Loans		xxx	xxx
b) Unsecured Loans		xxx	xxx
TOTAL		**xxx**	**xxx**
II APPLICATION OF FUNDS			
1. Fixed Assets			
a) Gross Block		xxx	xxx
b) Less Depreciation		xxx	xxx
c) Net Block			
d) Capital work in progress		xxx	xxx
2. Investments		xxx	xxx
3. Current Assets. Loans and Advances			
a) Inventories			
b) Sundry Debtors		xxx	xxx
c) Cash and Bank balances		xxx	xxx
d) Other Current Assets		xxx	xxx
e) Loans and Advances		xxx	xxx
		xxx	xxx
Less: Current Liabilities and Provisions		xxx	xxx
a) Current Liabilities			
b) Provisions		xxx	xxx
Net Current Assets			
4. a) Miscellaneous Expenditure to the extent not		xxx	xxx
written off or adjusted		xxx	xxx
b) Profit and Loss Account (debit)			
TOTAL		xxx	xxx
			xxx

The details of various items have to shown separately in schedules and the schedule number has to be mentioned in the statement.

ii) Horizontal Form: A brief sketch of Horizontal form is being presented below. For a detailed statement, the students are advised to refer to the text of Financial Accounting.

Schedule VI Part I

Balance Sheet of ----------- as on ----

Liabilities	Rs.	Assets	Rs.
Share Capital	xxxx	Fixed Assets	xxxx
Reserves and Surplus	xxxx	Investments	xxxx
Secured Loans	xxxx	Current Assets. Loans and	
Unsecured Loans	xxxx	Advances	xxxx
Current liabilities and		Current Assets	xxxx
Provisions	xxxx	Loans and Advances	xxxx
Current Liabilities	xxxx	Miscellaneous Expenditure	xxxx
Provisions	xxxx	Profit & Loss A/c	Xxxx

iii) Form used by Management Accountants The vertical form of the statement is more convenient for the purpose of analysis and interpretation. As such, in all our problems, we shall use the vertical format unless instructions exist to the contrary. However, the format used by Management Accountants differs from the vertical form. The form followed by them generally is as under:

Balance sheet of----- as on ----

Particulars		
ASSETS		
Current Assets		
Cash and Bank Balances		xxxx
Debtors		xxxx
Stock		xxxx
Other Current Assets		xxxx
(1)		
Fixed Assets		
Less: Depreciation		Xxxx
Investments		xxxx
(2)		xxxx
		xxx
TOTAL (1)+(2)		
		xxx
LIABILITIES:		
Current Liabilities:		xxxx

Bills Payable		
Creditors		
Other Current Liabilities		
(3)		xxxx
Long Term Debt		xxxx
Debentures		xxxx
Other Long term Debts		xxxx
(4)		
Capital and Reserves		xxxx
Share Capital		xxxx
Reserves and Surplus		xxxx
(5)		
Total Long Term Funds (4)+(5)		xxxx
TOTAL (3)+(4)+(5)		xxxx
		xxxx
		xxxx
		xxxx

Comparative Balance Sheet of Idea Cellular as on 2017

(Rs. in Crores)

Particulars	**Mar-2016**	**Mar-2017**	**Absolute change**	**Relative change**
SOURCES OF FUNDS :				
Share Capital	3,310.77	3,316.25	5.48	0.002
Reserves Total	9,739.45	10,989.04	1,249.59	0.128
Equity Application Money	0.00	0.00	0.00	0.000
Total Shareholders Funds	13,050.22	14,305.29	1,255.07	0.096
Secured Loans	8,704.15	9,163.01	458.86	0.053
Unsecured Loans	4,633.04	4,880.78	247.74	0.053

Total Debt	13,337.19	14,043.79	706.60	0.053
Other Liabilities	797.84	1,108.82	310.98	0.390
Total Liabilities	27,185.25	29,457.90	2,272.65	0.084
APPLICATION OF FUNDS :			0.00	0.000
Gross Block	41,097.82	46,611.07	5,513.25	0.134
Less: Accumulated Depreciation	14,104.03	17,451.04	3,347.01	0.237
Net Block	26,993.79	29,160.03	2,166.24	0.080
Capital Work in Progress	679.85	881.08	201.23	0.296
Producing Properties	0.00	0.00	0.00	0.000
Investments	97.60	1,028.02	930.42	9.533
Current Assets, Loans & Advances			0.00	0.000
Inventories	92.57	72.64	-2021.93	-0.215
Sundry Debtors	822.70	960.08	137.38	0.167
Cash and Bank	152.07	142.90	-9.17	-0.060
Loans and Advances	1,540.34	1,085.40	-454.94	-0.295
Total Current Assets	2,607.68	2,261.02	-346.66	-0.133

Less : Current Liabilities and Provisions			0.00	0.000
Current Liabilities	4,815.37	5,677.29	861.92	0.179
Provisions	7.27	124.85	117.58	16.173
Total Current Liabilities	4,822.64	5,802.14	979.50	0.203
Net Current Assets	-2,214.96	-3,541.12	-1,326.16	0.599
Miscellaneous Expenses not written off	0.00	0.00	0.00	0.000
Deferred Tax Assets	959.57	823.49	-20176.08	-0.142
Deferred Tax Liability	1,586.87	1,941.52	354.65	0.223
Net Deferred Tax	-627.30	-1,118.03	-490.73	0.782
Other Assets	2,256.27	3,047.92	791.65	0.351
Total Assets	27,185.25	29,457.90	2,272.65	0.084
Contingent Liabilities	4,692.60	9,126.85	4,434.25	0.945

INTERPRETATION:

1. From the above table the current assets value is decreased from 2015 to 2016. Therefore the current assets in the year 2016 is 2,607.68 and the value in the year 2017 is 2,261.02, the total amount decreased from 2016-2017 is 346.66.
2. From the above table the current liabilities value is increased from 2016-2017. Therefore the current liabilities in the year 2016 are 4,815.37 and the value in the year 2017 is 5,677.29, the total amount decreased from 2016-2017 is 861.92.

3. From the above table the inventories value is decreased from 2016-2017. Therefore the inventories in the year 2015 are 92.57 and the value in the year 2016 is 72.65, the total amount decreased from 2016-2017 is 19.93.
4. From the above table the total liabilities value is increased from 2016-2017. Therefore the total liabilities in the year 2016 are 27,185.25 and the value in the year 2017 is 29,457.90, the total amount increased from 2016-2017 is 2,272.65.

Comparative Balance Sheet of Idea Cellular as on 2018

(Rs. in Crores)

Particulars	**2017**	**2018**	**Absolute change**	**Relative change**
SOURCES OF FUNDS :				
Share Capital	3,316.25	3,321.56	5.31	0.002
Reserves Total	10,989.04	13,205.42	2,216.38	0.202
Equity Application Money	0	0		
Total Shareholders Funds	14,305.29	**16,526.98**	2,221.69	0.155
Secured Loans	9,163.01	8,875.84	-287.17	-0.031
Unsecured Loans	4,880.78	9,899.72	5,018.94	1.028
Total Debt	14,043.79	**18,775.56**	4,731.77	0.337
Other Liabilities	1,108.82	0	-1,108.82	-1.000

Total Liabilities	29,457.90	**35,302.54**	5,844.64	0.198
APPLICATION OF FUNDS :				
Gross Block	46,611.07	47,287.92	676.85	0.015
Less: Accumulated Depreciation	17,451.04	17,685.95	234.91	0.013
Net Block	29,160.03	**29,601.97**	441.94	0.015
Capital Work in Progress	881.08	11,419.41	10,538.33	11.961
Producing Properties	0	0		
Investments	1,028.02	**215.53**	-812.49	-0.790
Current Assets, Loans & Advances				
Inventories	72.64	68.31	-4.33	-0.060
Sundry Debtors	960.08	800.62	-20199.46	-0.166
Cash and Bank	142.9	188.1	45.20	0.316
Loans and Advances	1,085.40	4,263.52	3,178.12	2.928
Total Current Assets	2,261.02	5,320.55	3,059.53	1.353
Less : Current Liabilities and Provisions				
Current Liabilities	5,677.29	10,568.63	4,891.34	0.862

Provisions	124.85	686.29	561.44	4.497
Total Current Liabilities	5,802.14	11,254.92	5,452.78	0.940
Net Current Assets	-3,541.12	**-5,934.37**	-2,393.25	0.676
Miscellaneous Expenses not written off	0	0		
Deferred Tax Assets	823.49	0	-823.49	-1.000
Deferred Tax Liability	1,941.52	0	-1,941.52	-1.000
Net Deferred Tax	-1,118.03	0	1,118.03	-1.000
Other Assets	3,047.92	0	-3,047.92	-1.000
Total Assets	29,457.90	**35,302.54**	5,844.64	0.198
Contingent Liabilities	9,126.85	21,412.94	12,286.09	1.346

INTERPRETATION:

1. From the above table the current assets increased from 2017-2018 is 3,059.53.
2. From the above table the current liabilities value is increased from 2017-2018. the total amount increased from 2017-2018 is 5,452.78.
3. From the above table the inventories value is decreased from 2017-2018. Therefore the inventories decreased from 2017-2018 is 4.33.
4. From the above table the total liabilities value is increased from 2017-2018. Therefore the total liabilities increased from 2017-2018 is 5,844.64.

Comparative Balance Sheet of Idea Cellular as on 2019

(Rs. in Crores)

PARTICULARS	2018	2019	Absolute Change	Relative Change
EQUITIES AND LIABILITIES				
SHAREHOLDER'S FUNDS				
Equity Share Capital	3,319.63	3,597.84	278.21	0.084
Total Share Capital	**3,319.63**	**3,597.84**	278.21	0.084
Reserves and Surplus	12,264.72	18,292.30	6,027.58	0.491
Total Reserves and Surplus	**12,264.72**	**18,292.30**	6,027.58	0.491
Total Shareholders Funds	**15,584.35**	**21,890.14**	6,305.79	0.405
NON-CURRENT LIABILITIES				
Long Term Borrowings	17,143.88	16,006.49	-1,137.39	-0.066
Deferred Tax Liabilities [Net]	1,531.05	1,609.08	78.03	0.051
Other Long Term Liabilities	1,397.27	1,174.89	-222.38	-0.159
Long Term Provisions	216.71	282.07	65.36	0.302
Total Non-Current Liabilities	**20,288.90**	**19,072.52**	-1,216.38	-0.060
CURRENT LIABILITIES				

Short Term Borrowings	609.36	151.39	-457.97	-0.752
Trade Payables	2,634.37	2,970.18	335.81	0.127
Other Current Liabilities	4,684.87	13,292.74	8,607.87	1.837
Short Term Provisions	186.51	298.87	112.36	0.602
Total Current Liabilities	**8,115.10**	**16,713.18**	8,598.08	1.060
Total Capital And Liabilities	**43,988.35**	**57,675.84**	13,687.49	0.311
ASSETS				
NON-CURRENT ASSETS				
Tangible Assets	18,296.72	17,898.05	-398.67	-0.022
Intangible Assets	7,727.39	14,215.86	6,488.47	0.840
Capital Work-In-Progress	11,380.12	5,079.45	-6,300.67	-0.554
Fixed Assets	**37,404.24**	**37,193.35**	-210.89	-0.006
Non-Current Investments	1,641.21	1,646.61	5.40	0.003
Long Term Loans And Advances	2,829.23	3,890.67	1,061.44	0.375
Total Non-Current Assets	**41,874.67**	**42,730.63**	855.96	0.020
CURRENT ASSETS				

Current Investments	0.00	11,167.50	11,167.50	
Inventories	48.74	58.30	9.56	0.196
Trade Receivables	769.69	932.19	162.50	0.211
Cash And Cash Equivalents	139.53	1,541.94	1,402.41	10.051
Short Term Loans And Advances	1,152.26	1,139.12	-2017.14	-0.011
OtherCurrentAssets	3.47	106.17	102.70	29.597
Total Current Assets	**2,113.68**	**14,945.21**	12,831.53	6.071
Total Assets	**43,988.35**	**57,675.84**	13,687.49	0.311
OTHER ADDITIONAL INFORMATION				
CONTINGENT LIABILITIES, COMMITMENTS				
Contingent Liabilities	14,957.68	54,236.32	39,278.64	2.626
CIF VALUE OF IMPORTS				
Capital Goods	1,357.18	1,319.56	-37.62	-0.028
EXPENDITURE IN FOREIGN EXCHANGE				
Expenditure In Foreign Currency	508.87	445.19	-63.68	-0.125
REMITTANCES IN FOREIGN CURRENCIES FOR DIVIDENDS				

Dividend Remittance In Foreign Currency	19.81	28.48	8.67	0.438
EARNINGS IN FOREIGN EXCHANGE				
Other Earnings	382.61	485.49	102.88	0.269
Non-Current Investments	1,641.21	1,646.61	5.40	0.003
Current Investments Unquoted	-	11,167.50	11,167.50	0

INTERPRETATION:

1. From the above table the current assets increased in 2018-2019 is 14,945.21.
2. From the above table the current liabilities value is increased in 2018-2019 the total amount increased from 2018-2019 is 8,598.08.
3. From the above table the inventories value is increased in 2018-2019. Therefore the inventories increased by 2018-2019 are 9.56.
4. From the above table the total liabilities value is increased from 2018-2019. Therefore the total liabilities increased in 2018-2019 by 13,687.49.

Comparative Balance Sheet of Idea Cellular as on 2020

(Rs. in Crores)

Particulars	**2019**	**2020**	**Absolute Change**	**Relative Change**
EQUITIES AND LIABILITIES				
SHAREHOLDER'S FUNDS				
Equity Share Capital	3,597.84	3,600.51	2.67	0.0007
Total Share Capital	**3,597.84**	**3,600.51**	2.67	0.0007

Reserves and Surplus	18,292.30	20,695.40	2,403.10	0.1314
Total Reserves and Surplus	**18,292.30**	**20,695.40**	2,403.10	0.1314
Total Shareholders Funds	**21,890.14**	**24,295.91**	2,405.77	0.1099
NON-CURRENT LIABILITIES				
Long Term Borrowings	16,006.49	36,158.31	20,151.82	1.2590
Deferred Tax Liabilities [Net]	1,609.08	2,783.09	1,174.01	0.7296
Other Long Term Liabilities	1,174.89	3,461.72	2,286.83	1.9464
Long Term Provisions	282.07	339.42	57.35	0.2033
Total Non-Current Liabilities	**19,072.52**	**42,742.54**	23,670.02	1.2411
CURRENT LIABILITIES				
Short Term Borrowings	151.39	1,645.58	1,494.19	9.8698
Trade Payables	2,970.18	3,278.16	307.98	0.1037
Other Current Liabilities	13,292.74	7,494.05	-5,798.69	-0.4362
Short Term Provisions	298.87	351.64	52.77	0.1766
Total Current Liabilities	**16,713.18**	**12,769.43**	-3,943.75	-0.2360
Total Capital And Liabilities	**57,675.84**	**79,807.88**	22,132.04	0.3837

ASSETS				
NON-CURRENT ASSETS				
Tangible Assets	17,898.05	20,919.44	3,021.39	0.1688
Intangible Assets	14,215.86	43,996.88	29,781.02	2.0949
Capital Work-In-Progress	5,079.45	6,038.83	959.38	0.1889
Fixed Assets	**37,193.35**	**70,955.14**	33,761.79	0.9077
Non-Current Investments	1,646.61	1,666.85	20.24	0.0123
Long Term Loans And Advances	3,890.67	3,407.81	-482.86	-0.1241
Total Non-Current Assets	**42,730.63**	**76,029.81**	33,299.18	0.7793
CURRENT ASSETS				
Current Investments	11,167.50	832.10	-10,335.4	-0.9255
Inventories	58.30	85.15	26.85	0.4605
Trade Receivables	932.19	1,136.06	203.87	0.2187
Cash And Cash Equivalents	1,541.94	757.66	-784.28	-0.5086
Short Term Loans And Advances	1,139.12	965.11	-20204.01	-0.1528
OtherCurrentAssets	106.17	2.00	-104.17	-0.9812

Total Current Assets	**14,945.21**	**3,778.08**	-2015,167.1	-0.7472
Total Assets	**57,675.84**	**79,807.88**	22,132.04	0.3837
ADDITIONAL INFORMATION				
CONTINGENT LIABILITIES				
Contingent Liabilities	54,236.32	25,478.46	-28,757.8	-0.5302
CIF VALUE OF IMPORTS				
Capital Goods	1,319.56	3,259.47	1,939.91	1.4701
EXPENDITURE IN FOREIGN				
Expenditure In Foreign Currency	445.19	432.12	-2017.07	-0.0294
REMITTANCES IN FOREIGN				
Dividend Remittance In Foreign	28.48	42.72	14.24	0.5000
EARNINGS IN FOREIGN				
Other Earnings	485.49	748.45	262.96	0.5416
Non-Current Investments Unquoted	1,646.61	1,666.85	20.24	0.0123
Current Investments Unquoted	11,167.50	832.10	-10,335.40	-0.9255

INTERPRETATION:

1. From the above table the current assets increased in 2019-2020 to 3,778.08.
2. From the above table the current liabilities value is decreased in 2019-2020 the total amount increased from 2019-2020 to 12,769.43.
3. From the above table the inventories value is increased in 2019-2020. Therefore the inventories increased by 2019-2020 are 26.85.
4. From the above table the total liabilities value is increased from 2019-2020. Therefore the total liabilities increased in 2019-2020 to 79,807.88.

Comparative Balance Sheet of Idea Cellular as on 2021

(Rs. in Crores)

Particulars	Mar-2020	Mar-2021	Absolute change	Relative change
SOURCES OF FUNDS :				
Share Capital	3,305.20	3,310.77	5.57	0.002
Reserves Total	8,994.74	9,739.45	744.71	0.083
Equity Application Money	0.00	0.00	0.00	0.000
Total Shareholders Funds	12,299.94	13,050.22	750.28	0.061
Secured Loans	7,996.17	8,704.15	707.98	0.089
Unsecured Loans	4,074.32	4,633.04	558.72	0.137
Total Debt	12,070.49	13,337.19	1,266.70	0.105
Other Liabilities	405.59	797.84	392.25	0.967
Total Liabilities	24,776.02	27,185.25	2,409.23	0.097
APPLICATION OF FUNDS :			0.00	0.000
Gross Block	33,703.80	41,097.82	7,394.02	0.219
Less: Accumulated Depreciation	11,212.78	14,104.03	2,891.25	0.258
Net Block	22,491.02	26,993.79	4,502.77	0.200

Capital Work in Progress	3,600.55	679.85	-2,920.70	-0.811
Producing Properties	0.00	0.00	0.00	0.000
Investments	1,020.00	97.60	-922.40	-0.904
Current Assets, Loans & Advances			0.00	0.000
Inventories	65.92	92.57	26.65	0.404
Sundry Debtors	555.71	822.70	266.99	0.480
Cash and Bank	457.75	152.07	-305.68	-0.668
Loans and Advances	1,098.98	1,540.34	441.36	0.402
Total Current Assets	2,178.36	2,607.68	429.32	0.197
Less : Current Liabilities and Provisions			0.00	0.000
Current Liabilities	5,119.02	4,815.37	-303.65	-0.059
Provisions	6.71	7.27	0.56	0.083
Total Current Liabilities	5,125.73	4,822.64	-303.09	-0.059
Net Current Assets	-2,947.37	-2,214.96	732.41	-0.248
Miscellaneous Expenses not written off	0.00	0.00	0.00	0.000
Deferred Tax Assets	625.86	959.57	333.71	0.533
Deferred Tax Liability	935.79	1,586.87	651.08	0.696
Net Deferred Tax	-309.93	-627.30	-317.37	1.024
Other Assets	921.75	2,256.27	1,334.52	1.448
Total Assets	24,776.02	27,185.25	2,409.23	0.097
Contingent Liabilities	3,130.65	4,692.60	1,561.95	0.499

<u>INTERPRETATION:</u>

1. From the above table the current assets value is increased from 2020 to 2021. Therefore the current assets in the year 2020 is 2,178.36 and the value in the year 2021 is 2,607.68, the total amount increased from 2020-2021 is 429.32.
2. From the above table the current liabilities value is increased from 2020-2021. Therefore the current liabilities in the year 2020 are 5,119.02 and the value in the year 2021 is 4,815.37, the total amount decreased from 2020-2021 is 303.65.
3. From the above table the inventories value is increased from 2020-2021. Therefore the inventories in the year 2020 are 65.92 and the value in the year 2021 is 92.57, the total amount increased from 2020-2021 26.65.
4. From the above table the total liabilities value is increased from 2020-2021. Therefore the total liabilities in the year 2020 are 19,231.66 and the value in the year 2021 is 27,185.25, the total amount increased from 2020-2021 is 2,409.23.

FINDINGS

Major findings from the study from 2017 to 2021 are

1. Share Capital in 2020 is 3,305.20, in 2021 it is 3,310.77, in 2017 it is 3,316.25, in 2018 it is 3,321.56, in 2019 it is 3,597.84, in 2020 it is 3,600.51
2. Total Debt in 2020 is 12,070.49, in 2021 it is13,337.19, in 2017 it is 14,043.79, in 2018 it is18,775.56, in 2019 it is 16,006.49, in 2020 it is 36,158.31.
3. Total Liabilities in 2020 is 24,776.02, in 2021 it is 27,185.25, in 2017 it is 29,457.90, in 2018 it is 35,302.54, in 2019 it is 57,675.84, in 2020 it is 79,807.88
4. Investments in 2020 is 1,020.00, in 2021 it is 97.6, in 2017 it is 1,028.02, in 2018 it is 215.53, in 2019 it is 11,167.50, in 2020 it is 832.1.
5. Total Current Assets in 2020 are 2,178.36, in 2021 it is 2,607.68, in 2017 it is 2,261.02, in 2018 it is 5,320.55, in 2019 it is 14,945.21, in 2020 it is 3,778.08
6. Total Current Liabilities in 2020 are 5,125.73, in 2021 it is 4,822.64, in 2017 it is 5,802.14, in 2018 it is 11,254.92, in 2019 it is 16,713.18, in 2020 it is 12,769.43\

CONCLUSIONS

1. The liquidity position of the company shows that the company is meeting their requirements at the expected levels.
2. The fixed assets of the company show better position.
3. Total assets value is increased from 2017-2021, it Decreased In 2017 it shows the good position of the company.
4. The overall financial position of the current assets is increased. So, the company is fully satisfactory.
5. The overall financial position of the current liabilities increased so the company positionisnot satisfactory

SUGGESTIONS

1. Company has to maintain adequate reserves to meet the future risks.

2. Expanding the business is a good step to the right direction. For this it has to increase its fixed assets.

3. The companies should always try to maintain the standard relationship between its various items of the balance sheet.

4. Company should maintain sufficient liquidity to meet the expenses in the firm.

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BOOK NAMES	AUTHOR
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WEBSITES

- www.google.com

A STUDY ON

COST ANALYSIS IN MEGHANA FOODS KARIMNAGAR

STUDENT STUDY PROJECT SUBMITTED TO THE COMMISSIONER OF COLLEGIATE EDUCATION, Hyderabad

Under the
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SUBMITTED
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DECEMBER, 2021

INTRODUCTION

COST

In production, research, retail, and accounting, a **cost** is the value of money that has been used up to produce something, and hence is not available for use anymore. In business, the cost may be one of acquisition, in which case the amount of money expended to acquire it is counted as cost. In this case, money is the input that is gone in order to acquire the thing. This acquisition cost may be the sum of the cost of production as incurred by the original producer, and further costs of transaction as incurred by the acquirer over and above the price paid to the producer. Usually, the price also includes a mark-up for profit over the cost of production. In other words, it is an amount that has to be paid or given up in order to get something.

In business, cost is usually a monetary valuation of

1. effort,
2. material,
3. resources,
4. time and utilities consumed,
5. risks incurred, and
6. Opportunity forgone in production and delivery of a good or service.

More generalized in the field of economics, cost is a metric that is totaling up as a result of a process or as a differential for the result of a decision.[1] Hence cost is the metric used in the standard modeling paradigm applied to economic processes.

Meaning

In business, cost is usually a monetary valuation of (1) effort, (2) material, (3) resources, (4) time and utilities consumed, (5) risks incurred, and (6) opportunity forgone in production and delivery of a good or service. All expenses are costs, but not all costs (such as those incurred in acquisition of an income-generating asset) are expenses.

Definition:

An amount that has to be paid or given up in order to get something.

COST ANALYSIS

Cost analysis (also called economic evaluation, cost allocation, efficiency assessment, cost-benefit analysis, or cost-effectiveness analysis by different authors) is currently a somewhat controversial set of methods in program evaluation. One reason for the controversy is that these terms cover a wide range of methods, but are often used interchangeably.

At the most basic level, cost allocation is simply part of good program budgeting and accounting practices, which allow managers to determine the true cost of providing a given unit of service (Kettner, Moroney, & Martin, 1990). At the most ambitious level, well-publicized cost-benefit studies of early intervention programs have claimed to show substantial long-term social gains for participants and cost savings for the public (Berreuta-Clement, Schweinhart, Barnett, et al., 1984). Because these studies have been widely cited and credited with convincing legislators to increase their support for early childhood programs, some practitioners advocate making more use of cost-benefit analysis in evaluating social programs (Barnett, 1988, 1993).

Others have cautioned that good cost-benefit or cost-effectiveness studies are complex, require very sophisticated technical skills and training in methodology and in principles of economics, and should not be undertaken lightly (White, 1988). Whatever position you take in this controversy, it is a good idea for program evaluators to have some understanding of the concepts involved, because the cost and effort involved in producing change is a concern in most impact evaluations (Rossi & Freeman, 1993).

NEED OF THE STUDY

Managers rely on cost accounting to provide an idea of the actual expenses of processes, departments, operations or product which is the foundation of their budget, allowing them to analyze fluctuation and the way funds are used socially for profit. It is a very important part of the management accounting process. In order for managers to determine the best methods to increase a company's profitability, as well as saving a company money in the future, cost accounting is a necessary system in the management of a company's budget, providing important data to analyze fluctuation in company production expense. So, there is a need to study the cost analysis of Mayur bread to understand the concepts and methods followed by the firm in the process of cost accounting.

OBJECTIVES OF THE STUDY

1. To analyze the cost concepts of Mayur bread.
2. To make an analysis of the cost sheet of Mayur bread.
3. To study the cost of production of Meghana foods.
4. To suggest measures to cost reduction, if any.

SCOPE OF THE STUDY

Cost analysis can be used at several levels. At the most basic level, cost allocation is simply part of good program budgeting and accounting practices, which allow managers to determine the true cost of providing a given unit of service. It deals with cost allocation, cost effectiveness and cost benefit. The present study on cost analysis includes only the study of cost accounting practices followed by Mayur bread of Karimnagar only.

RESEARCH METHODOLOGY

Research methodology is, a way to systematically solve the research problem. It may be understood as a science of studying how research is done. In this we study the various steps (the research process) that are generally adopted by a researcher in studying his research problem along with the logic behind them. The basic steps in this research are as following

COLLECTION OF DATA

PRIMARY DATA

- All the data collection process has been carried out through the discussion with the staff members concerned in the department of finance in the organization.
- Took the help of the management from the other departments and the guidance from the internal guide.

SECONDARY DATA

Certain assumptions have been made in regard to the future projects of the company.

The data have been prepared in the consultation with the various personnel of the organization indirectly.

To fulfill the information need of the study, the data is collected from secondary sources. The secondary data was collected on the basis of organizational file, official records, news papers, magazines, management books, preserved information in the company's database and website of the company.

LIMITATIONS OF THE STUDY

1. This project covers only cost related aspects of Mayur bread, Karimnagar only.
2. The analysis and interpretation is limited to the data collected from the company.
3. The accuracy of the study is based on the accuracy of the data presented in the company's annual reports and websites.
4. Detailed study of topic was not possible due to limited size of the project. The time taken for the study is limited.

COMPANY PROFILE

"Meghana Foods" is one of the fastest growing and leading private sector organizations in Telangana with interests in Baker foods. Founded in 1987, by its present Group Chairman Vishwanath, the Group is well diversified and professionally managed.

Since its establishment Meghana Foods' manufacturing facilities have maintained the highest standards of quality control for efficient and hazard-free operations.

In a similar way, Meghana Foods has various departments and personnel monitoring the manufactured products and processes. We adjust and adapt to the changing needs of our customers and remain dedicated in our efforts to serve them to the best of our ability. We firmly believe that customer is the king. We work together to bring in health and happiness and enhance the quality of life.

Advances in technology permitted a wider range of biscuit products. Small cakes and delicate wafers were gradually added to the family of Baker foods.

We the employees of Meghana Foods are committed to achieve excellence in quality standards and always supply products as per global requirements. We shall create an environment where each employee contributes to all aspects of our business processes. We shall strive for continuous improvement to meet with customer satisfaction.

Mission

The core businesses of the Group are in the sectors of FMCG comprising of baker foods Manufacturing under the brand name “Mayur Bread”. The Group has established itself as a front runner and pioneer in the core infrastructure areas of the region, comparable to some of the best in the world.

Vision

Our vision is to offer rich, Quality and nutritious products to our consumers under the brand names "Mayur Bread". Our company is equipped with modern and sophisticated machinery with latest technology and the products are manufactured in highly hygienic conditions and we adopt Good Manufacturing Practices.

Our manufacturing unit is well equipped with most modern in-house laboratories to test raw material and packing material before they go into production and also the finished goods are tested batch wise under standard specifications.

QUALITY POLICY

Baking Food committed to satisfy the customer with continuous uplift-ment of man, machine, quality and productivity through better hygiene, trainings and challenge to achieve goals of success.

Since 1987, Meghana Foods’ has been a part of the Telangana retail landscape.

Since inception Meghana Foods’ has been a consumer-centric brand, constantly innovating, pioneering formats, evolving over time but always keeping consumer needs and satisfaction center-stage.

What has remained unchanged for 30 years is the trust that the “Mayur” brand evokes. To the consumer, it carries the promise of innovation, quality, and service; the confidence that they will always be able to find a Spencer’s store at a convenient location; that it will have a pleasant ambience; and that it will offer a wide range of products at affordable prices.

Mayur Bread is a Bakery offering simple, specialty and exotic range of freshly made bakery and confectionery items. The recipes are authentic, gathered from the best ones from all across the world, including Indian favorites. Our patisseries are present as a shop-in-shop in Hyper stores.

The concept is a first-of-its-kind in Hypermarkets with its open see-through kitchen. The concept is a result of a of customer insight research which emphasized on two things

- A daily need gap of fresh and daily breads and cakes
- Low customer confidence on the existing brands which actually claimed freshness and healthy recipes but the product experience never seemed so

Thus was born the Innovative Mayur's Breads which swore on freshness, hygiene and healthy eating and sought to infuse customer confidence by opening up the entire process of bread and cake making to the consumers. At the Meghana Foods, one can see and learn the preparation process of these items, right from Measuring, Mixing, Sifting, Dough-making, Proofing, Baking ,Cooling, Packing and Garnishing., executed by expert chefs. Precision and Hygiene are of paramount importance and a matter of strict adherence since we deal in perishable products. The team working in the kitchen and serving the customers, are trained in Health and Hygiene practices by an external panel of subject matter experts. Regular adherence is ensured by an internal quality management team who are equally skilled in the art of cleanliness and knowledgeable of relevant world-class standards.

Bulk Supplies to Corporates

We cater to all kinds of businesses or corporate events or meets. Choose from our exclusive range of customized products which includes cookie gift packs, cakes, chocolates & more.

Customer Gift Packs

Choose from a range of delightful combinations of gift pack or place a customized order as per your specification for that someone special to be delivered by us. Pre book your gift and we will ensure that it is delivered it to the party on the specified date and time.

The unit is manufacturing all types of Breads like White, Brown, Whole Wheat & Fruit in various sizes. The unit is also manufacturing all type of Bakery items like Buns, biscuits, Fruit Buns, Rusks & Toast, Cakes, in different Sizes & Packaging.

Our company with its efficient and dynamic management, semi automatic bread making machines, ovens, computerized accounting systems and inventory control is well equipped to provide quality products and services to our growing list of customers. We manage to stay one step ahead of the competition by continuously searching for the latest technology to use in the production of our products.

Our infrastructure comprises of giving proper attention to every section of our business & quality requirement. We have a huge array of labourers working with the help of the best & latest machinery available in market. The machines are kept under the supervision of technical experts whose responsibility ranges from rectifying minor snags to notifying the authority concerned when a gadget requires to be replaced.

The products of the company are well established in the market in terms of their quality, price and service and command brand equity in the market. The marketing network is spread in some district of Telangana like Karimnagar, Nizamabad, Adilabad, Warangal, Khammam and Nalgonda, Krishna, Guntur and West Godavari in Andhra Pradesh. The products are distributed in these states through a chain of distributors and retailers.

The products of the company are well in demand and enjoy good brand image in the market as well. The company has considerable presence in Punjab, Himachal Pradesh, Chandigarh, Haryana, Uttranchal, Western U.P., J&K and some parts of Rajasthan. The products are distributed in these states through a chain of distributors and retailers.

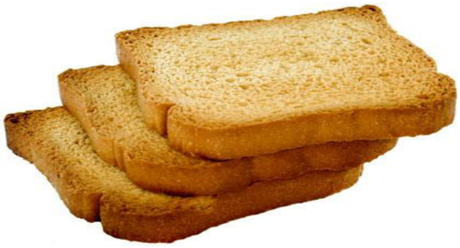
Meghana foods (Mayur bread) products

- Atta Biscuits
- Anytime Cookies
- Any Time Biscuits
- Coconut Cookies
- Peanut Biscuits
- Salt Cookies
- Fruity Biscuits
- Coconut Biscuits
- Badam Biscuits
- Tea Time Biscuits
- Jam Cookies

Cakes

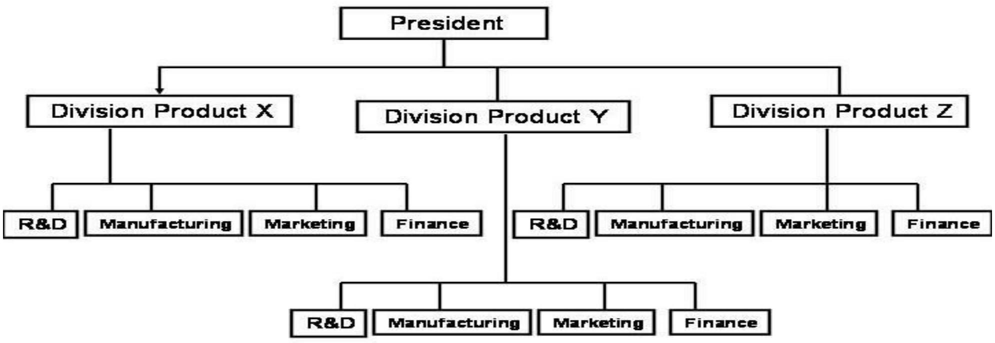
Puffs

Toasts



Bread

ORGANIZATION STRUCTURE



LOCATION

E-5,INDUSTRIAL ESTATE KARIMNAGAR

KARIMNAGAR,

Karimnagar,

Telangana-505002.

COST ANALYSIS

Cost is a general term. It is measured in terms of money. Cost does not carry any meaning unless some explanatory word attached to it.

Example Production cost, Total cost, etc.

In other words cost means expenses to be incurred or likely to be incurred for a specific objective. Money cost therefore related to the expenditure by the firm on the factors of production which enables the firm to produce and sell the product.

DEFINITION OF COST-

Cost is defined as

"THE AMOUNT OF EXPENDITURE INCURRED ON OR ATTRIBUTABLE TO A GIVEN THING".

THE GIVEN THING MAY BE-

A tangible product such as job component or product obtained form a process.

A service such as Transport, repairs, research, etc.

A function such as Production, Selling, Distribution, etc.

The meaning of cost depends upon the purpose and the use for which it is incurred. The cost may be fixed, Variable, semi variable, etc.

MEANING OF COST

Cost in simple words, means the total of all expenses. Cost is defined as the amount of expenditure incurred on a given thing. Thus it is that which is given or sacrificed to obtain something.

ICMA London "Cost is the amount of expenditure incurred on or attributable to a given thing."

In a business where selling and distribution expenses are quite nominal, the cost of the article may be calculated without considering the selling and distribution overheads. While in a business, where the nature of the product requires heavy selling and distribution expenses calculation of cost without taking in to account selling and distribution expenses may prove very costly to the business. Then cost may be factory cost, office cost, cost of sales and even an item of expense is also termed as cost.

Prime cost includes expenditure on direct material, direct labor and direct expenses. Money spent on materials is termed as cost of materials the spent on labor as cost of labor and so on. Thus, the used of term cost without qualification is also quite misleading. Again, different costs are found out for different purposes. To work-in-process is valued at factory cost while stock of finished goods valued at office cost. Numerous other examples can be given to show the term cost des not mean the same thing under all circumstances and for all purposes. Many items of production are handled in an optional manner, which may give different costs for the same production or job without in any way of cost accounting.

The following are the cost units of Mayur Bread

Name of the item	Cost unit
Bread	Per Tone
Transportation	Per trip / per K.M
Water charges	Per thousand Liters
Oil & diesel	Per liters
Canteen	Per person served
Electricity	Per K.W.H.
Boiler	Per thousand kilo grams of steam

FORMAT OF COST OR COST SHEET

Particular	Total cost (Rs)	Cost per unit (Rs)
Direct material	XX	XX
Direct labour	XX	XX
Prime cost	XXX	XXX
Add Works over head	XX	XX
Works cost / Factory cost	XXX	XXX
Add administrative over head	XX	XX
Cost of production	XXX	XXX
Add selling and distribution over head	XX	XX
Cost of sales	XXX	XXX

COST SHEET OF MAYUR BREAD FOR THE YEAR 2021

PROFORMA OF COST SHEET	AMOOUNT	AMOUNT
Cost sheet for every 1lakh units produced and sold.		
	Cost Per Unit	
Quantity Manufactured	1	100000
Quantity sold	1	100000
	CPU(Rs)	
DIRECT COST		
Raw materials consumed		
Opening stock of raw materials	0	
Purchases of Raw Materials	5.805	
(-)Closing stock of Raw Materials	0	
Materials Consumed	5.805	
Direct labour/wages	0.124	
Direct cost/expenses	0.2415	
PRIME COST	6.1705	
INDIRECT COST		
Factory/Works Overheads		
Indirect labour	0.122	
Depreciation on Machinery	0.675	

Works Overheads	0.05204	
Cost of Maintenance	0.0589	
Other Factory Expenses	0.0282	
Supervisors Salary	0.0385	
Power & Fuel	0.5678	
Total Overheads	1.54244	
FACTORY COST/WORKS COST	7.71294	
Office and Administrative Overheads		
Depreciation on office furniture@7%	0.0281	
Office Rent	0.0585	
Salary to Staff	0.089	
Office and General Expenses	0.0257	
Telephone expenses	0.0219	
Electricity and Lightings	0.03123	
Printing and stationary	0.00294	
Total Office and Administrative Overheads	0.25737	
COST OF GOODS SOLD	7.97031	
Selling and Administrative		

Overheads		
Sales Commission	0.705	
Salary of Salesman	0.1	
Carriage Outward	0.12798	
Sales Expenses	0.057	
Total Selling and Administrative Overheads	0.98998	
COST OF SALES	8.96029	
PROFITS	1.03971	
SALES	10	
Raw Materials Cost		
Flour	3.756	
Water	0.892	
Yeast	0.6789	
Salt	0.4781	
Raw Materials per unit	5.805	

NOTE		
The Value are determined on the basis of apportionment as the company produces more than one product (including fixed cost)		
Cost sheet for every 1lac units produced and sold.		
Some of the above Values are estimated		

COST SHEET ANALYSIS

Direct Cost

Direct materials

To manufacture one unit of bread the following RAW MATERIALS are required.

- **Flour**
- **Water**
- **Yeast**
- **Salt**

Direct labor/wages

Direct labor/Wages amounts to Rs. 0.124 per unit which is approximately 2.009% of the PRIME COST. This percentage is low because a good amount of work is automated as a result of which Human resources are diverted to more productive areas such as SALES and MARKETING.

Direct cost/expenses

Direct cost includes costs incurred in bringing the raw materials into the factory which is Carriage inward. It also includes the amount paid loading unloading charges and other petty expenses.

Indirect Costs

Factory Overheads

The Factory Overheads includes the indirect labor, Depreciation on Machinery, Works Overheads, Cost of Maintenance, Other Factory Expenses, supervisors Salary and Power & Fuel.

- **Indirect labor** The amount of indirect labor is Rs. 0.122 per unit. This value includes sweeper charges, support staff etc.

- **Depreciation on machinery** The depreciation is calculated on the basis of WDV calculated @ 10% p.a. This value amounts to around 43.7% of the FACTORY OVERHEADS. The percentage high because of the level automation and technology used for production.

- **Power** Per unit power and fuel consumption is Rs. 0.5678.

Other factory expenses Other factory expenses include maintenance of factory and other miscellaneous expenses.

Office and Administration Overheads-

Office and administration overheads include Depreciation on office furniture@7%, office rent, salary to staff, office and general expenses, Postage and Telegrams, telephone expenses, electricity and lightings

- **Salary to staff** The salary paid to staff comes up to around Rs. 0.089 per unit cost.

- **Office and general expenses** This comprises of refreshments (tea and snacks), Postage and Telegrams and other petty expenses.

- **Printing and stationary** This consists of photocopy charges, printouts and other stationary items.

- **Telephone Expenses** Calls made by the staff members.

- **Electricity and lightings** It consists of office lighting and air conditioning expenses

Sales and distribution overheads-

Selling and distribution cost includes Sales Commission, Discount allowed, Salary of salesmen, Carriage outward and Sales expenses

- **Sales Commission**

As a part of encouragement for sales people, they are given commission of 5 % of the total sales done by them.

- **Discount allowed**

To attract whole sellers to buy the product they are offered a discount of 5% on the selling price.

- **Salary of salesmen**

The average salary paid to the sales people is around Rs. 0.1 of the total per unit cost of the product.

- **Carriage outward**

To carry the finished goods to the whole sellers, the transportations charge per unit/product is set as RS 0.12798.

- **Sales expenses**

This includes expenses incurred on advertisements and promotional expenses such as newspaper advertisements, hoardings, TV commercials etc.

Profit

The Profit arise out of selling per unit of the product is **11.603%** of the total per unit cost price

There is also a difference between salary and wages in regard to the speed of payment. If a person is paid a salary, he is paid through and including the pay date, because it is very simple for the payroll staff to calculate his salary, which is a fixed rate of pay. However, if a person is paid wages, he is usually paid through a date that is several days prior to the pay date; this is because his hours may vary, and the payroll staff needs several days to calculate his pay.

If a person is paid wages and there is a gap between the last day worked for which he is paid and his pay date, that gap is paid in his *next* paycheck. This gap does not exist for a salaried worker, since he is paid through the pay date. Thus, pay is much more likely to be accrued in a company's financial statements for a person being paid wages than for someone being paid a salary.

Cost reduction and cost control techniques used in Mayur Bread

1. Avoiding of excessive overtime.
2. Reduced wastage in packaging of bread.
3. Reduction in transportation cost of wheat.
4. Simplification of the process of production.
5. Suitable communication system with telephone intercom.
6. Purchase computer for accounting process.
7. Keeping minimum level of inventory.
8. Effective and economical purchases of materials.

Difficulties in installation of cost accounting system in Mayur Bread

Lack of support from top management

In existing system there is no time for top management to check the regular accounting process. In this case there is no additional work should be taken in the company.

Non-co-operation of supervisors

Due to the day-to-day activities, the supervisors have no time to record the different things related to costs.

Heavy costs

For installation of cost accounting system is heavy cost to company. For the installation of cost accounting system in Mayur Bread, the separate department should be made.

Difficulties to calculate costs of work in progress in bread

There is a difficulty in calculation of work in progress in bread industry.

Recommendation for installation of cost accounting system

1. Divide the department according to the revenue producing and non revenue producing department this helpful in determining cost centers.
2. Simplify the working procedure in each cost center and design suitable and proper forms and records for each of the departments.
3. Fix the procedure for collection of both cost and non cost data for each center.
4. Fix the standard for incurrence of costs in cost center.
5. Prepare forms, cards reports, and books etc for keeping cost records.

The following are the cost centers in Mayur Bread

1) Production Cost Center

a) Packing.

b) Quality control.

c) Boiler section.

d) Storage section.

e) Pan section.

f) Mill section.

g) Power generation.

2) Marketing Cost Center

a) Transportation cost center.

3) Administration Cost Centers

a) Security and maintenance of plant.

b) Human Resource Development.

The following are the cost units of Mayur Bread

Name of the item	**Cost unit**
Bread	Per Tone
Transportation	Per trip / per K.M
Water charges	Per thousand Liters
Oil & diesel	Per liters
Canteen	Per person served
Electricity	Per K.W.H.
Boiler	Per thousand kilo grams of steam

DATA ANALYSIS

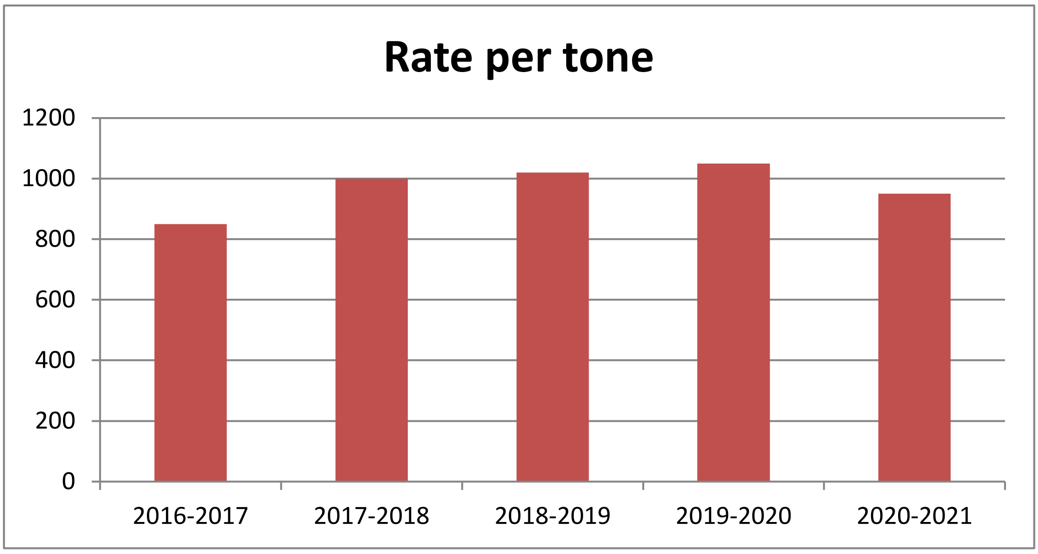
Material costing

Table No. 1 **Rs.**

Year	Tones consumed	Rate per tone	Amount
2016-2017	202997	850	172547450
2017-2018	215068	1000	215068000
2018-2019	226875	1020	231412500
2019-2020	235785	1050	247574250
2020-2021	136903	950	130057850

Source: Annual reports of Mayur Bread

Graph No. 1



INTERPRETATION

From the above table, it is known that in the year 2020-2021, material cost is 130057850. It increased to 172547450 in the year 2016-2017. And the year 2016-2017 the material cost was increased to compare of the last year.

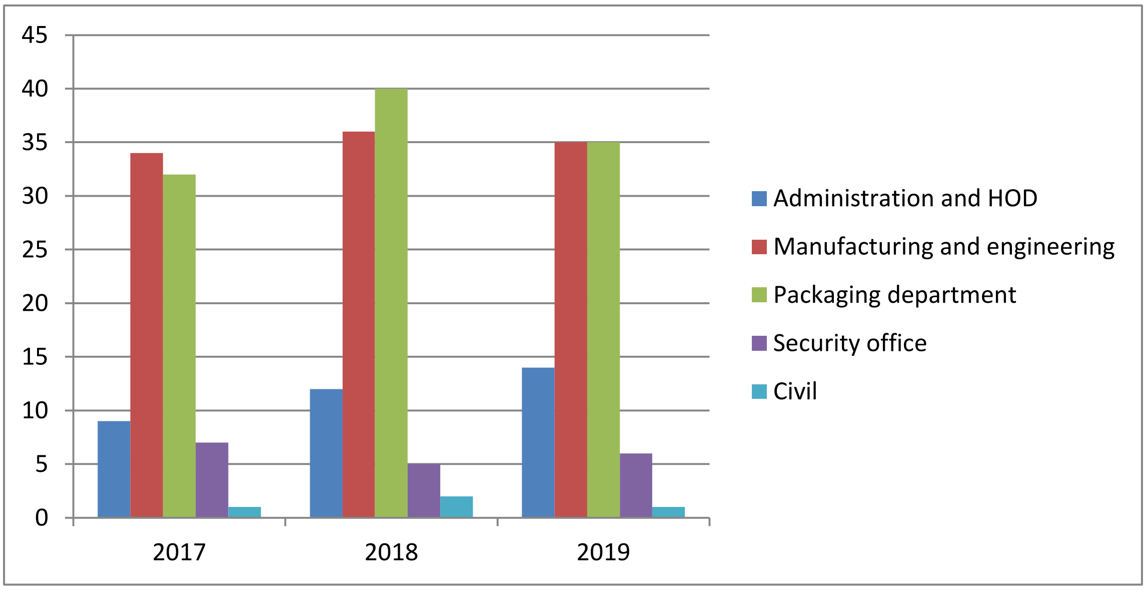
HUMAN RESOURCE DEPARTMENT

Table No. 2 **Rs.**

Departments	TOTAL NO OF EMPLOYEES				
Years	**2017**	**2018**	**2019**	**2020**	**2021**
Administration and HOD	9	12	14	12	10
Manufacturing and engineering	34	36	35	26	29
Packaging department	32	40	35	15	28
Security office	7	5	6	6	6
Civil	1	2	1	4	2
TOTAL	83	95	91	63	75

Source: Annual reports of Mayur Bread

Graph No. 2



INTERPRETATION

Out of all the department the manufacturing and engineering department having more number of employees. This increasing trend indicates is a increasing production.

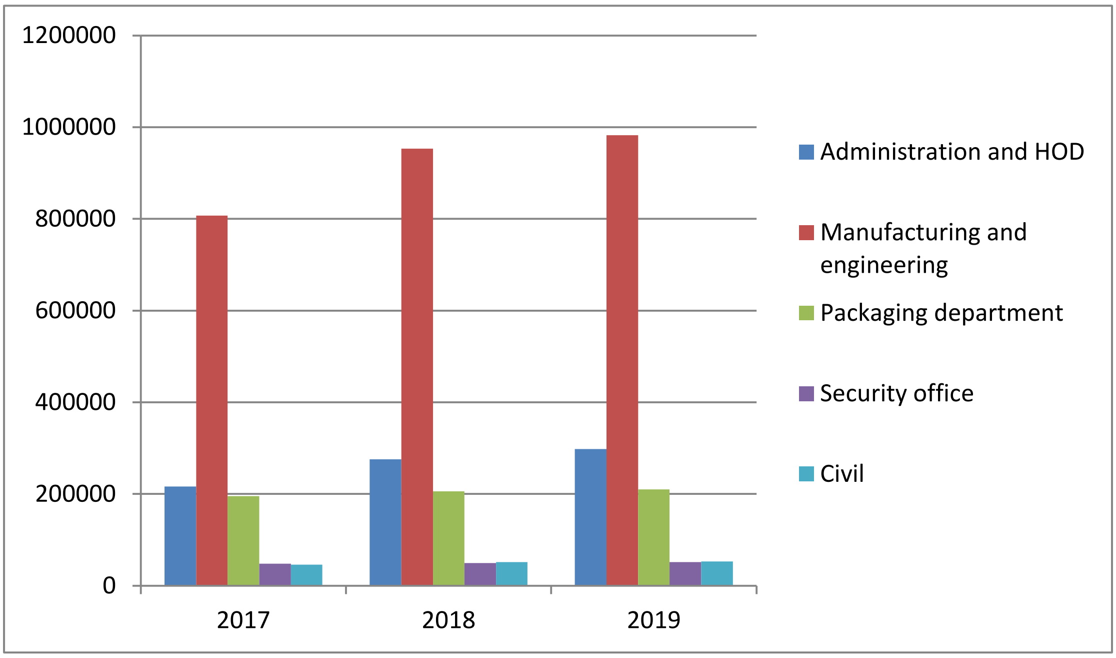
DEPARTMENT WISE SALARY PER ANNUM

Table No. 3 **Rs.**

Departments	2017	2018	2019	2020	2021
Administration and HOD	216651	275841	297840	295785	209341
Manufacturing and engineering	807175	952874	982540	985248	790900
Packaging department	195200	205840	210200	252412	180300
Security office	48000	49500	51450	52485	45000
Civil	46000	51280	53280	53985	43300
TOTAL	**1313026**	**1535335**	**1595310**	**1639915**	**1268841**

Source: Annual reports of Mayur Bread

Graph No. 3



INTERPRETATION:

From the above table clears that 2017 the department wise salary is 1189352. In the year 2021, the department wise salary was 1595310, there was increase to compare of the all the years.

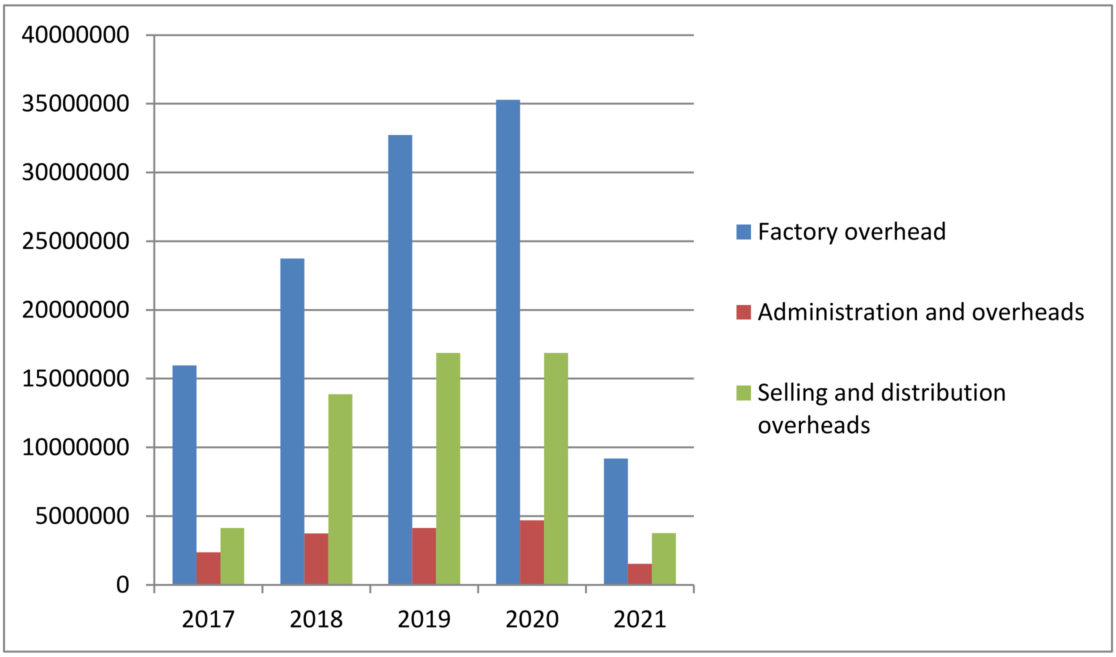
OVER HEADS

Table No. 4 **Rs.**

Particulars	2017	2018	2019	2020	2021
Factory overhead	15972950	23730000	32730000	35287458	9180600
Administration and overheads	2381850	3744000	4144000	4687514	1530100
Selling and distribution overheads	4140990	13868850	16868850	16874521	3763937
Total	22495790.0	41342850.0	53742850.0	56849493	14474637.0

Source: Annual reports of Mayur Bread

Graph No. 4



INTERPRETATION:

Seeing the table the factory over heads increasing considerably it indicates growth in production. Since the manufacturing and engineering department constitutes major part in total number of employees and wages the factory overheads also forms major part in total overheads.

Factory overheads

Factory overheads during the study period are increasing. This is because of increase of wages and electricity expenses.

Administrative overheads:

Administrative overhead is those costs not involved in the development or production of goods or services. Administrative overheads are increasing at a faster rate from 1385400 in 2017 to 4144000 in 2021. This is because of increase of salaries and other office expenses.

Selling and distribution overheads:

the cost incurred in promoting sales and retaining customers", while the distribution overheads constitute "the cost of the process which begins with making the packed product available for dispatch and ends with making the reconditioned returned empty packages available for re-use.

Selling and distribution overheads are also increasing in the study period. The overheads are 3598740 increased to 16868850.

FINDINGS

1. The material cost was increasing from the year 2017 to 2021. In the year 2016 material cost is 130057850 and in 2020, it is 247574250.

2. Human resource department having number of more employees 2017 to 2021, the year of employees was 63 to 91.

3. In 2017, the total departments salary is 1268841. In the year 2021, the department wise salary was 1639915, there was increase to compare of the all the years.

4. The total overhead 2017 is 14474637.0 and in 2021 the overhead is 56849493.

5. Material cost is 113286600. It increased to 172547450 in the year 2016-14. And the year 2017-2018 the material cost was increased to compare of the last year.

6. Out of all the department the manufacturing and engineering department having more number of employees.

CONCLUSIONS

1. The increasing prime cost is because of is increasing material consumed by the company.

2. The work cost is increasing by year to year i.e., from 2017 to 2021 because in factory over heads also increasing.

3. The cost of production is to increasing because office overheads and depreciation of office equipments.

4. The cost of goods sold is in increasing trend from 2020- 2021.

5. The cost of sales year by year due to increasing in sales.

6. Even after having many competitors around, Mayur bread has managed to capture a large market share not just in the urban but has also managed to penetrate the rural markets.

7. In this study is attempt to made analyze the cost analysis of the sample unit. Since the Mayur Bread is facing heavy competition in an around area of the region, It is essential to focus on the aspect of cost, profitability etc

SUGGESTIONS

1. As prime cost, cost of production are increasing in the firm exercise cost reduction

2. As the raw material cost is increasing the firm should use new techniques to reduce it like the firm allowed near to the sources of raw material. Reducing raw material usage in production down time.

3. The company must concentrate on the cost reduction methods to be followed to reduce the prime cost.

4. The direct expenses must be reduced to get more profit.

5. Factory overheads are increasing year by year. It must be reduced to get the more profit and less cost.

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A STUDY ON

FIXED ASSETS MANAGEMENT ON PENNA CEMENT INDUSTRIES LIMITED KARIMNAGAR

STUDENT STUDY PROJECT SUBMITTED TO THE COMMISSIONER OF COLLEGIATE EDUCATION, Hyderabad

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DECEMBER, 2021

FIXED ASSETS

Fixed asset is an asset held with the intention of being used for the purpose of producing or providing goods or services and is not held for sale in the normal course of business.

Fixed assets often comprise a significant portion of the total assets of an enterprise, and therefore are important in the presentation of financial position. Furthermore, the determination of whether an expenditure represents an asset or an expense can have a material effect on an enterprise's reported results of operations.

Fixed assets, also known as Property, Plant and Equipment, are tangible assets held by an entity for the production or supply of goods and services, for rentals to others, or for administrative purposes.

These assets are expected to be used for more than one accounting period. Fixed assets are generally not considered to be a liquid form of assets unlike current assets. Examples of common types of fixed assets include buildings, land, furniture and fixtures, machines and vehicles.

The term 'Fixed Asset' is generally used to describe tangible fixed assets. This means that they have a physical substance unlike intangible assets which have no physical existence such as copyright and trademarks.

Fixed assets are not held for resale but for the production, supply, rental or administrative purposes. Assets that held for resale must be accounted for as inventory rather than fixed asset. So for example, if a company is in the business of selling cars, it must not account for cars held for resale as fixed assets but instead as inventory assets. However, any vehicles other than those held for the purpose of resale may be classified as fixed assets such as delivery trucks and employee cars.

Fixed assets are normally expected to be used for more than one accounting period which is why they are part of Non Current Assets of the entity. Economic benefits from fixed assets are therefore derived in the long term.

Fixed assets are those assets which are required and held permanently for a pretty long time in the business and are used for the purpose of earning profits. The successful continuance of the business depends upon the maintenance of such assets. They are not meant for resale in the ordinary course or business and the utility of these remains so long as they are in working order, so they are also known as capital assets. Land and building, plant and machinery, motor vans, furniture and fixture are some examples of these assets.

Financial transactions are recorded in the books keeping in view the going concern aspect of the business unit. It is assumed the business unit has a reasonable

expectation of continuing business at a profit for an indefinite period of time. It will continue to operate in the future. This assumption provides much of the justification for recording fixed assets at original cost and depreciating them in a systematic manner without reference to their current realizable values. It is useless to show fixed assets in the balance sheet at their estimated realizable values if there is no immediate (I.e., cost less depreciation provided) and not at their current realizable values. The market value of a fixed asset may change may with the passage of time, but for accounting purpose it continues to be shown in the books at its book value, I.e., the cost at which it was purchased minus depreciation proved up to date.

The Cost concept of accounting, deprecation calculated on the basis of historical costs of old assets is usually lower than of those calculated at current value. These results in more in more profits on paper which, if distributed in full lead to reduction of capital.

In order for fixed assets to be recognized in the financial statements of an entity, the basic criteria for the recognition of assets laid down in the IASB Framework must be met:

1. The inflow of economic benefits to entity is probable.
2. The cost/value can be measured reliably.

NEED FOR THE STUDY

Fixed Assets plays very important role in relating company's objectives the firms to which capital investment vested on Fixed Assets. These fixed assets are not convertible or not liquid able over a period of time the total owner funds and long term liabilities are invested in fixed assets.

The idle of fixed assets lead a tremendous in financial cost and intangible cost associate to it. So there is need for the companies to evaluate fixed assets performance analysis time to time by comparing with previous performance, Comparison with

similar company and comparison with industry standards. So choose a study to conduct on the fixed assets analysis of Honda, Karimnagar using ratio in comparison with previous year performance. The title of the project is analysis on Fixed Assets Management.

OBJECTIVES OF THE STUDY

1. To know the concepts which are related to the Fixed Assets Management.
2. To examine the growth rate of total investment of the society is in upward trend.
3. To suggest the management of Honda, Karimnagar regarding it's financial performance.

SCOPE OF THE STUDY

The project deals with the analysis of management of fixed assets with concerned ratios related to networth, current liabilities, capital employed, etc. of Honda, Karimnagar. The data collected ranges within the scope of the financial figures drawn from Annul Report of the company. The fixed assets considered in the project are which cannot be converted into cash with one year. Ratio analysis is used for evaluating fixed asset performance of Honda, Karimnagar**.** The subject matter is limited to fixed assets and its performance but not any other areas of accounting, corporate, marketing and financial matters.

RESEARCH METHODOLOGY:

The data used for analysis and interpretation from annul reports of the society that is secondary forms of data. Ratio analysis is used for calculation on purpose. The project is presented by using tables, graphs and with their interpretation.

No survey is undertaken or observation study is conducted in evaluating "Fixed Assets" performance of Honda, Karimnagar.

PROPOSED RESEARCH

Type of research:

The present study involves descriptive and quantitative research. Descriptive research design is a scientific method which involves observing and describing the behavior of a subject without influencing it in any way.

It is a descriptive research that is it includes the various concepts and aspects related to the fixed assets management. It is quantitative research that it includes quantifying the data collected from the annual reports of the company.

SOURCES OF DATA:

Primary data:

The present study involves no primary data for the collection of data related to the study.

Secondary Data:

The data gathering method is adopted purely from secondary sources. The theoretical content is gathered from eminent texts books, annual reports and manuals of Honda, Karimnagar and various websites. Interpretation, Conclusions and Suggestions are purely base on my opinion and suggestions provided by the project guide.

LIMITATIONS OF THE STUDY

- The present study is only for 5 years i.e., from the financial year 2016-2021.
- The analysis is based on the data which is provided by the Companies i.e. Annual reports of the Company.
- The study is based on funds flow statement for a period of 5 years only.

- Classification of the current and fixed assets / liabilities is based on the Volatility of the funds.

COMPANY PROFILE

Honda Motor Company, Ltd. is a Japanese public multinational corporation primarily known as a manufacturer of automobiles and motorcycles.

Honda has been the world's largest motorcycle manufacturer since 1959, as well as the world's largest manufacturer of internal combustion engines measured by volume, producing more than 14 million internal combustion engines each year. Honda surpassed Nissan in 2001 to become the second-largest Japanese automobile manufacturer. As of August 2008, Honda surpassed Chrysler as the fourth largest automobile manufacturer in the United States. Honda was the seventh largest automobile manufacturer in the world behind Toyota, General Motors,Volkswagen AG, Hyundai Motor Group, Ford, and Nissan in 2012.

Honda was the first Japanese automobile manufacturer to release a dedicated luxury brand, Acura, in 1986. Aside from their core automobile and motorcycle businesses, Honda also manufactures garden equipment, marine engines, personal watercraft and power generators, amongst others. Since 1986, Honda has been involved with artificial intelligence/robotics research and released their ASIMO robot in 2000. They have also ventured into aerospace with the establishment of GE Honda Aero Engines in 2004 and the Honda HA-420 HondaJet, scheduled to be released in 2015. Honda invests about 5% of its revenues in research and development.

History

From a young age, Honda's founder, Soichiro Honda (17 November 1906 – 5 August 1991) had an interest in automobiles. He worked as a mechanic at the Art Shokai garage, where he tuned cars and entered them in races. In 1937, with financing from an acquaintance, Kato Shichirō, Honda founded Tōkai Seiki (Eastern Sea Precision Machine Company) to make piston rings working out of the Art Shokai garage. After initial failures, Tōkai Seiki won a contract to supply piston rings to Toyota, but lost the contract due to the poor quality of their products. After attending engineering school, without graduating, and visiting factories around Japan to better understand Toyota's quality control processes, Honda was able, by 1941, to mass produce piston rings acceptable to Toyota, using an automated process that could employ even unskilled wartime laborers.

Tōkai Seiki was placed under control of the Ministry of Commerce and Industry (called the Ministry of Munitions after 1943) at the start of World War II, and Soichiro Honda was demoted from president to senior managing director after Toyota took a 40% stake in the company· Honda also aided the war effort by assisting other companies in automating the production of military aircraft propellers.[10] The relationships Honda cultivated with personnel at Toyota, Nakajima Aircraft Company and the Imperial Japanese Navy would be instrumental in the postwar period. A US B-29 bomber attack destroyed Tōkai Seiki's Yamashita plant in 1944, and the Itawa plant collapsed in the 1945 Mikawa earthquake, and Soichiro Honda sold the salvageable remains of the company to Toyota after the war for ¥450,000, and used the proceeds to found the Honda Technical Research Institute in October 1946. With a staff of 12 men working in a 172-square-foot (16.0 m^2) shack, they built and sold improvised motorized bicycles, using a supply of 500 two-stroke 50 cc Tohatsu war surplus radio generator engines.[10][11][13] When the engines ran out, Honda began building their own copy of the Tohatsu engine, and supplying these to customers to attach their bicycles. This was the Honda Model A, nicknamed the Bata Bata for the sound the engine made. The first complete motorcycle, both frame and engine, and made by Honda was the 1949 Model D, the first Honda to go by the name Dream. Honda Motor Company grew in a short time to become the world's largest manufacturer of motorcycles by 1964.

The first production automobile from Honda was the T360 mini pick-up truck, which went on sale in August 1963. Powered by a small 356 cc straight-4 gasoline engine, it was classified under the cheaper Kei car tax bracket. The first production car from Honda was the S500 sports car, which followed the T360 into production in October 1963. Its chain driven rear wheels points to Honda's motorcycle origins.

Over the next few decades, Honda worked to expand its product line and expanded operations and exports to numerous countries around the world. In 1986, Honda introduced the successfulAcura brand to the American market in an attempt to gain ground in the luxury vehicle market. Honda in 1991 introduced the Honda NSX supercar, the first all-aluminum monocoque vehicle that incorporated a mid-engine V6 with variable-valve timing. Later, 1995 gave rise to the Honda Aircraft Company with the goal of producing jet aircraft under Honda's name.

PHILOSOPHY

Corporate philosophy

HMSI operates on a principle, which is followed worldwide by all Honda companies. Maintaining a global viewpoint, we are dedicated to supplying products of the highest quality, yet at a reasonable price for worldwide customer satisfaction. Honda's philosophy is based on the company's guiding principle and advocates 2 fundamental beliefs:

Respect for the Individual

Honda recognizes and respects individual differences. The respect for individual stems from the following three points:

- Initiative
- Equality
- Trust

It is the contribution from each individual in the company that has made our company what it is today and that, which will take us into the future.

The Three Joys

In line with Honda's Philosophy, HMSI conducts all its daily activities in pursuit of the following joys:

- The joy of manufacturing high quality products.
- The joy of selling high quality products.

The joy of buying high quality products.

BRAND PHILISOPHY

Everyone has a dream, some goal or activity that gives their life deeper meaning and sparks passion. When we pursue our dreams, we feel empowered. This power, in turn, connects us to others who share the same dreams. It gives us the strength to overcome great challenges. It inspires us to spread the joy of our dreams to other people. Ultimately, the power borne of a dream is a creative force, capable of producing revolutionary ideas. Honda encourages all its associates to pursue their dreams. That's why we say we are a company built on dreams.

The power of Honda's dream will continue to lead to new insights and technologies in motorcycles and other fields of mobility.

And Honda will spread the philosophy of The Power of Dreams across India. A country where a billion people carry dreams in their hearts, this philosophy is brought alive by **Sach Kardenge Sapne**

TECHNOLOGY

Cutting-edge technology and the spirit of HondaOur fundamental design philosophy seeks to maximise space and comfort for people, while minimising the space required for mechanical components. With this aim in mind, Honda's R&D activities include product-specific development and fundamental research.
Let's talk about few of the advanced technologies that we have:

Combi Break System

Generally, it is not easy to control a 2-wheeler while braking during emergencies and bad road conditions. This system not only allows easy & simultaneous operation of the front & rear brake but also provides optimal braking performance. Once the left side brake lever is pressed, the system distributes the appropriate braking power between the front and rear wheels, which assures complete safety for the rider.

HONDA SERVICE POLICY

MOTOR CYCLES			SCOOTERS		
SERVICING	**DAYS**	**KMS (KILOMETERS)**	**SERVICING**	**DAYS**	**KMS (KILOMETERS)**
1st FREE SERVICE	15-30	500-750	1st FREE SERVICE	15-30	500-750
2nd FREE SERVICE	75-90	2500-3000	2nd FREE SERVICE	105-120	2500-3000
3rd FREE SERVICE	135-20180	5500-6000	3rd FREE SERVICE	195-210	5500-6000
4th FREE SERVICE	195-210	8500-9000	4th FREE SERVICE	285-300	8500-9000

LEGEND GRID (HONDA SPARE PARTS RETAILER)

FOR GENUINE HONDA SPARE PARTS

SERVICE PROVIDER	CURREENT COLOR CODE	NOS (NUMBERS)	FUTURE COLOR CODE	NOS (NUMBERS)
Honda exclusive authorized dealership	RED	1	ORANGE	-
Authorized service center	BROWN	2	ASH	2
Private workshop owner	BLACK	30	GREEN	15
Parts stockiest	GREEN	LIGHT GREEN	-	-
Parts retailer	-	-	-	PINK

HONDA MOTORCYCLE AND SCOOTER INDIA PVT. LTD. (HMSI)

TECHNICAL SPECIFICATIONS & WEIGHT MEASUREMENTS

KERB WEIGHT (kg)	108
LENGTH (mm)	1972
WIDTH (mm)	742
HEIGHT (mm)	1072
WHEELBASE (mm)	1262
GROUND CLEARANCE (mm)	180
FUEL TANK CAPACITY (Litre)	8

ENGINE AND TRANSMISSION

ENGINE TYPE	4 stroke, Air cooled SI Engine
DISPLACEMENT	109 CC
NET POWER	9 bhp @ 8000 rpm
TORQUE	9 nm @ 6000 rpm
AIR FILTER	Paper filter – viscous
STARTING SYSTEM	Self/kick
TRANSMISSION	4 – speed constant mesh
GEAR SHIFT PATTERN	1 down – 3up

TABLE-1

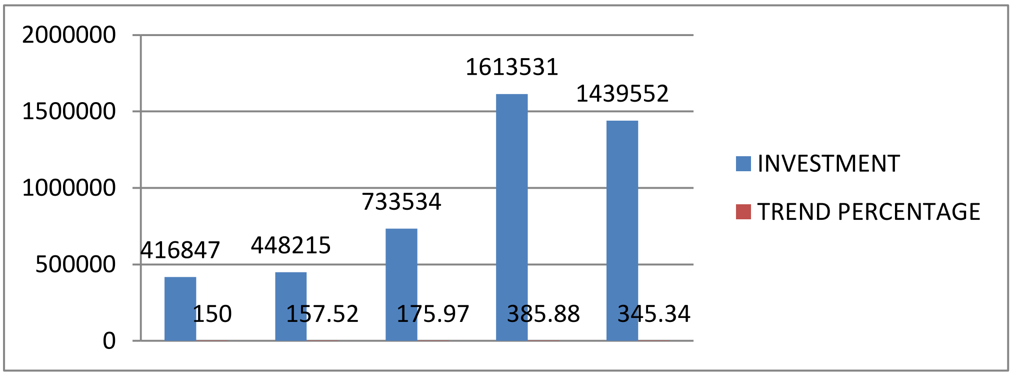
GROWTH RATE OF INVESTMENT TREND

AMOUNT IN '000

YEAR	INVESTMENT	TREND PERCENTAGE
2016-2017	448215	157.52
2017-2018	733534	175.97
2018-2019	1613531	385.88
2019-2020	1439552	345.34
2020-2021	416847	150
Average	**929335.8**	**222.942**

Source: Secondary data

Chart No.1



Interpretation:

From the analysis of the above table no.1, it can be observed that the growth rate of total investment is in upward trend and which shows that total investment is increasing from year to year during the year 2020-2021 to 2019-2020. The average investment in total asset was found to be Rs.929335.8 during the review period. During the period of 2020-2021 it is Rs. 416847 and it was increased in the year 2019-2020 Rs.1439552.

From the above table, growth in trend percentage is satisfactory to the organization because it can generate more incomes to the organization.

TABLE 2

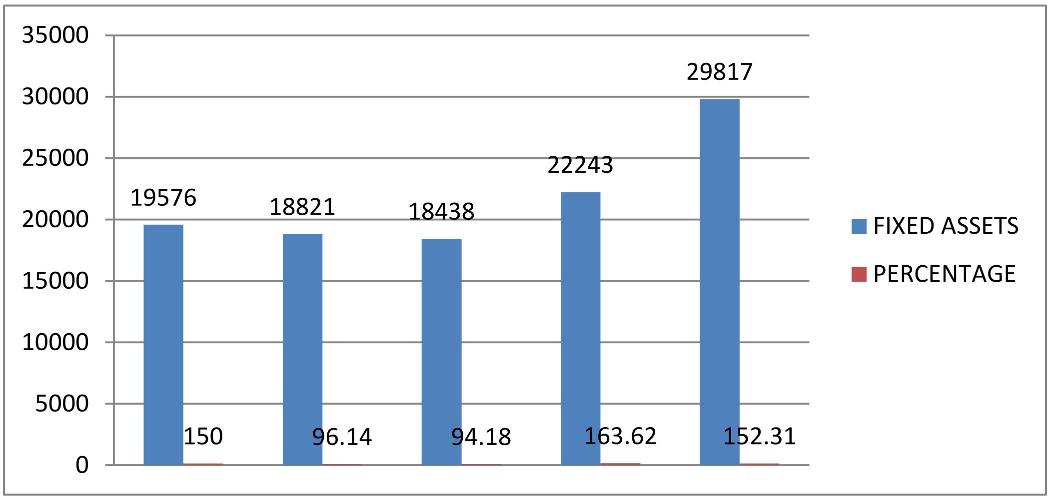
GROWTH RATE IN FIXED ASSETS

AMOUNT IN '000

YEAR	FIXED ASSETS	PERCENTAGE
2016-2017	18821	96.14
2017-2018	18438	94.18
2018-2019	22243	163.62
2019-2020	29817	152.31
2020-2021	19576	150
AVERAGE	**21779**	**161.25**

Source: Secondary data

Chart No.2



Interpretation:

During the year 2020-2021 the assets investment was recorded at 19576 and it is increased to Rs. 29817 in 2019-2020 the fixed assets investment is quite satisfactory. The trend percentage in the year 2020-2021 is taken as the base year as 150% and is was increased to 152.31 in the year 2019-2020.The average growth rate in fixed assets Rs. 21779 in 5 years.

From the above table, growth in fixed assets is satisfactory to the organization because it can generate more incomes to the organization.

RATIO ANALYSIS

Ratio Analysis is a powerful tool of financial analysis. A ratio is defined as “Indicated quotient of two mathematical expression" and as the relationship between evaluating the financial position and performance of a firm. The absolute accounting figure reported in financial statement do not private a meaningful understanding o performance and financial position of a firm. An accounting figure conveys mea when it is related to some other relevant information.

Ratio helps to summarize large quantities of financial data to make quality judgment about the firm’s financial performance.

1. Fixed Assets to Net Worth Ratio:

The ratio establishes the relationship between Fixed Assets and Net Worth.

Net Worth = Share Capital + Reserves & Surplus + Retained Earnings.

$$\text{Fixed Assets to Net Worth Ratio} = \frac{\text{Fixed Assets}}{\text{Net Worth}} \times 150$$

The ratio of "Fixed Assets" to "Net Worth" indicates the extent to which shareholder funds are sunk into the fixed assets. Generally, the purchase of fixed assets should be financed by shareholders, equity including reserves & surpluses and retained earnings.

If the ratio is less than 150% it implies that owners funds are more than total Fixed Assets and a part of the working capital is provided by the shareholders. When the ratio is more than 150% it implies that owner's funds are not sufficient to finance the fixed assets and the finance has to depend upon outsiders to finance the fixed assets.

There is no "rule of thumb" to interpret this ratio but 60% to 65% is considered to be satisfactory ratio in case of industrial undertaking.

2. Fixed Assets Ratio:

This ratio explains whether the firm has raised adequate long term funds to meet its fixed assets requirements and is calculated as under.

$$\frac{\text{Fixed Assets (Assets Depreciation)}}{\text{Capital Employed}}$$

This ratio gives an idea as to what part of the capital employed has been used in purchasing the fixed assets for the concern. If the ratio is less than 6% it is good concern.

3. Fixed Assets as a percentage to Current Liabilities:

The ratio measures the relationship between fixed assets and the funded debt and is a very useful so the long term erection. The ratio can be calculated as below:

$$\text{Fixed Assets as a percentage to Current Liabilities} = \frac{\text{Fixed Assets}}{\text{Current Liabilities}}$$

4. Total Investment Turnover Ratio:

This ratio is calculated by dividing the net sales by the value of total assets that is (Net Sales / Total Investment) or (Sales / Total Investment). A high ratio is an indicator of over trading of total assets while a low ratio reveals idle capacity. The traditional standards for the ratio in two times.

5. Fixed Assets Turnover Ratio:

This ratio expresses the number of times fixed assets are being turned - over is a state period. It is calculated as under:

$$\frac{\text{Sales}}{\text{Net Fixed Assets (After Depreciation)}}$$

This ratio shows how well the fixed assets are being uses in the business. The ratio is important is case of manufacturing concern because sales are produced not only by use of Current Assets but also by amount invested in Fixed Assets the higher ratio, the better is the performance.

On the other hand a low ratio indicated that fixed assets are not being efficiently utilized.

6. Gross Capital Employed:

The term "Gross Capital employed" usually comprises the total assets, fixed as well as current assets used in a business.

Gross Capital Employed = Fixed Assets + Current Assets.

7. Return on Fixed Assets:

$$\frac{\text{Profit after Tax}}{\text{Fixed Assets}} \times 150$$

This ratio is calculated to measure the profit after tax against the amount invested in total assets to ascertain whether assets are being utilized properly or not. The higher the ratio the better it is for the concern.

8. Fixed Assets to Net Worth:

Net Worth = Share Capital + Reserves & Surplus + Retained Earning.

If the ratio is less than 150%, it implies that owner funds are more than the fixed assets and a part of working capital is provided by the share holder and vice-versa.

$$\text{Fixed Assets to Net Worth Ratio} = \frac{\text{Fixed Assets}}{\text{Net Worth}} \times 150$$

1. FIXED ASSETS TO NET WORTH

The ratio establishes the relationship between Fixed Assets and Net Worth.

Net Worth = Share Capital + Reserves & Surplus + Retained Earnings.

$$\text{Fixed Assets to Net Worth Ratio} = \frac{\text{Fixed Assets}}{\text{Net Worth}} \times 150$$

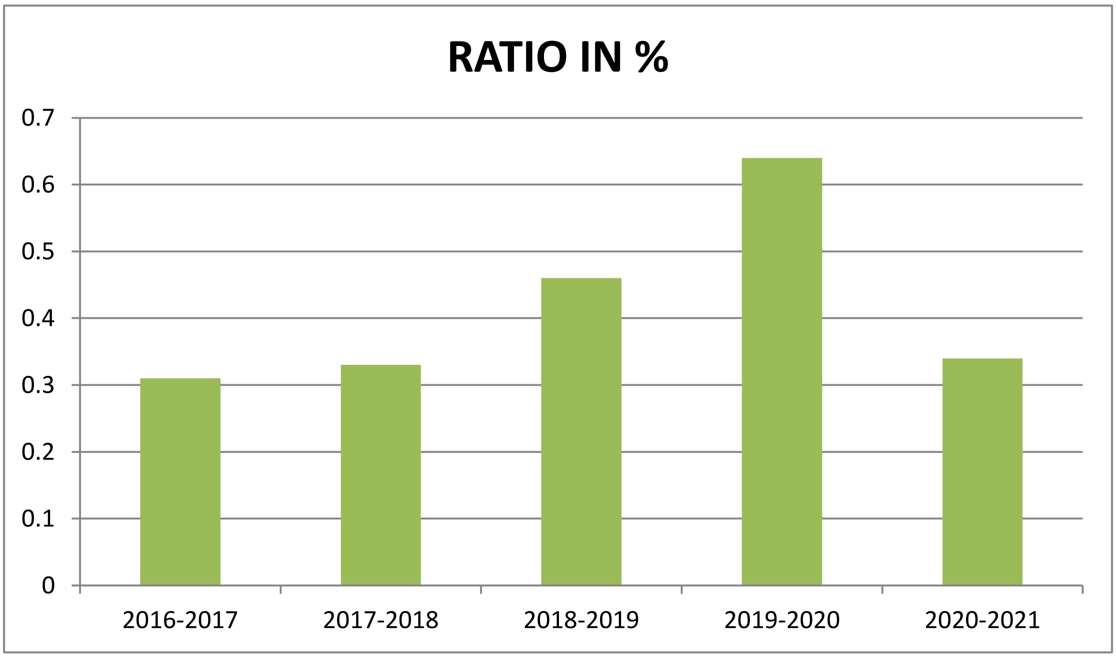
TABLE-3

AMOUNT IN '000

YEAR	FIXED ASSETS	NET WORTH	RATIO IN %
2016-2017	18821	5951639	0.31
2017-2018	18438	5539930	0.33
2018-2019	22243	4829164	0.46
2019-2020	29817	4619815	0.64
2020-2021	19576	5651638	0.34

Source: Secondary data

Chart No.3



Interpretation:

a) The gross fixed to Net worth Ratio is fluctuating from year to year. In the year 2015-2016 the gross fixed assets to net worth ratio is 0.34.in the year 2019-2020 fixed asset to net worth to acquire the ratio is 0.64

c) The highest ratio recorded in 2019-2020 at 0.64 the lowest ratio is recorded at 0.33 in the year 2017-2018.

2. FIXED ASSETS AS A PERCENTAGE TO LONG TERM LIABILITIES

Fixed Assets ratio a several of fixed assets to net worth is a ratio of fixed assets to long term funds which is calculated as:

$$\text{Fixed assets to long term liabilities} = \frac{\text{Fixed Assets (After Depreciation)}}{\text{Capital Employed}} \times 150$$

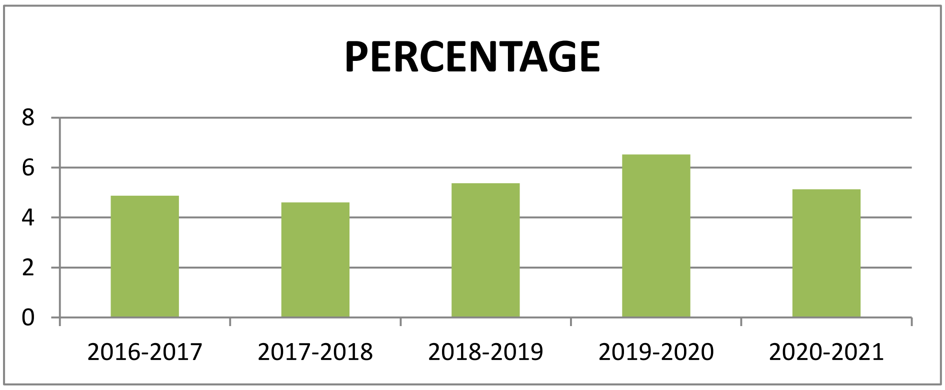
TABLE – 4

AMOUNT IN '000

YEAR	FIXED ASSETS	LONG TERM FUNDS	PERCENTAGE
2016-2017	18821	385649	4.88
2017-2018	18438	399343	4.61
2018-2019	22243	417954	5.38
2019-2020	29817	457172	6.52
2020-2021	19576	381679	5.13

Source: Secondary data

Chart No. 4



Interpretation:

a) The fixed assets as a percentage of long term liabilities the ratio is fluctuating from year to year. The fixed assets as a percentage of long term liabilities are decreased to 4.61 in 2017-2018 but it is recorded at 6.52% in the year 2019-2020.

b) The highest ratio is recorded at 6.52% in the 2019-2020 the lowest ratio is 4.61% in the year 2017-2018.

3. Fixed Assets as Percentage Current Liabilities

$$\text{Fixed Assets a Percentage Current Liabilities} = \frac{\text{Fixed Assets}}{\text{Current Liabilities}}$$

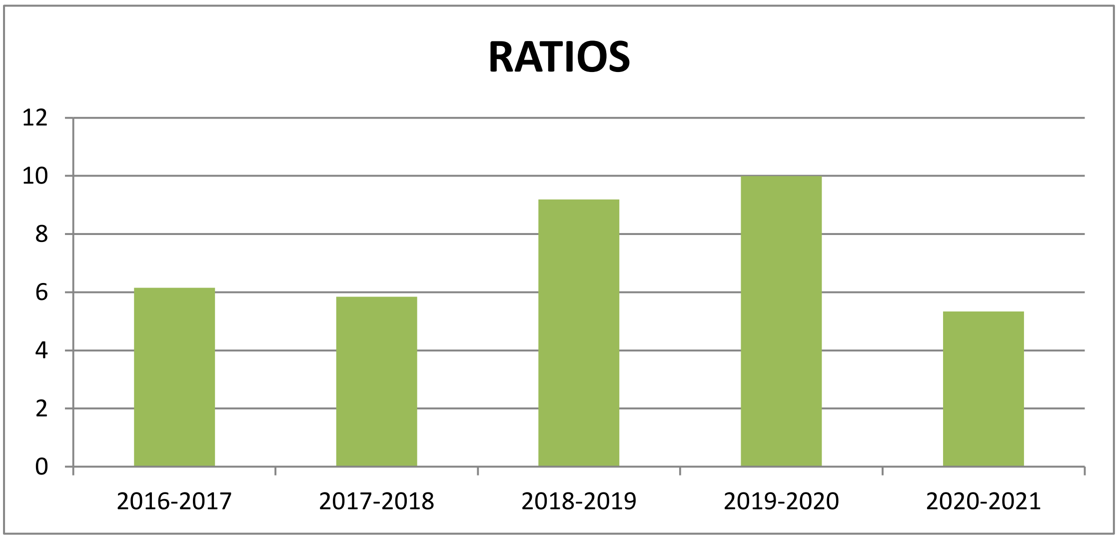
TABLE-5

AMOUNT IN '000

YEAR	FIXED ASSETS	CURRENT LIABILITEIS	RATIOS
2016-2017	18821	313474	6.15
2017-2018	18438	315371	5.84
2018-2019	22243	241960	9.19
2019-2020	29817	298405	9.99
2020-2021	19576	365978	5.34

Source: Secondary data

Chart No.5



Interpretation:

a) The ratio was in fluctuating trend percentage in review period.

b) From the above table it is observed that the ratio was recorded at 5.34 in the 2020-2021 and it is gradually changing to 9.99 in 2019-2020 which indicates that the current funds are used in the fixed assets which is quite satisfactory.

c) The highest ratio was recorded at 9.99 which is higher than the average ratio.

d) The lowest ratio was recorded at 5.34, which is Jess than the average ratio.

4. FIXED ASSETS AS PERCENTAGE TO TOTAL ASSETS

e) Fixed Assets

f) Fixed assets % Total Assets = ---------------- X 150

g) Total Assets

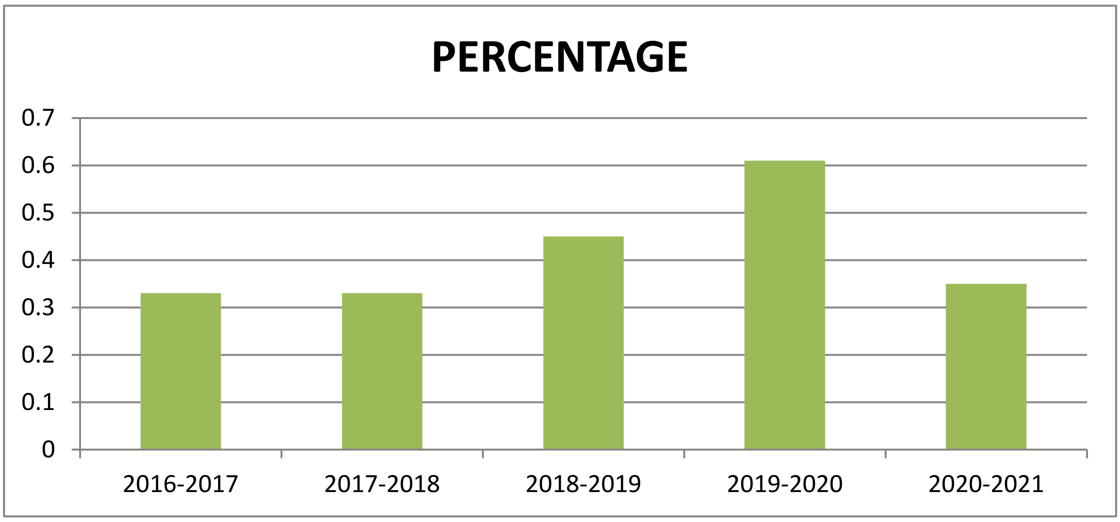
TABLE-6

AMOUNT IN ‘000

YEAR	FIXED ASSETS	TOTAL ASSETS (IN LAKHS)	PERCENTAGE
2016-2017	18821	5671729	0.33
2017-2018	18438	5438816	0.33
2018-2019	22243	4863687	0.45
2019-2020	29817	4864675	0.61
2020-2021	19576	5535621	0.35

Source: Secondary data

Chart No.6



Interpretation:

1. Fixed Assets to total assets ratio is fluctuating trend during the review period of time.
2. During the year 2015-2016 the ratio was recorded as 0.35% and the year 2019-2020 the ratio increased to 0.61.
3. The highest ratio was observed at 0.61% in the year 2019-2020, which is more than average ratio.

GROSS CAPITAL EMPLOYED

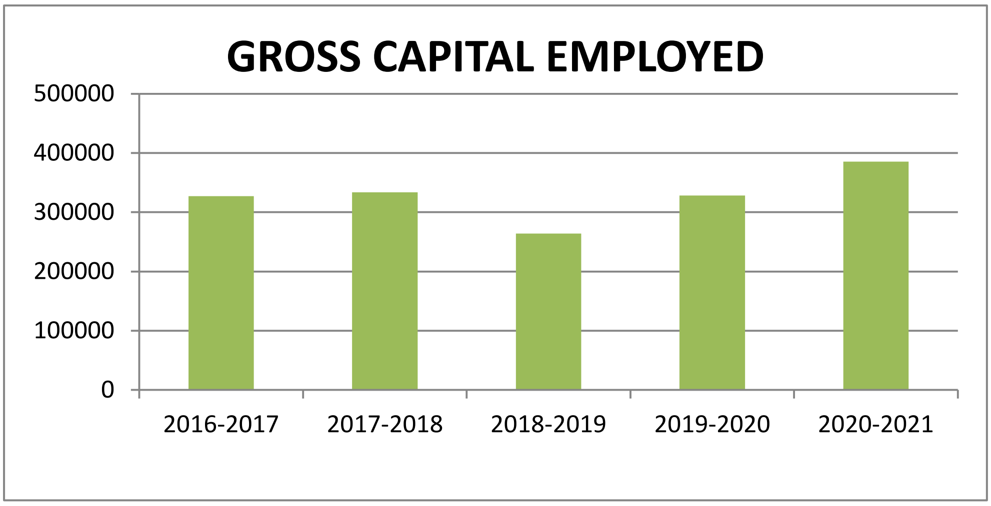
Gross Capital Employed = Fixed Assets + Current Assets

TABLE –7 **AMOUNT IN '000**

YEAR	FIXED ASSETS	CURRENT LIABILITIES	GROSS CAPITAL EMPLOYED
2016-2017	18821	313474	327295
2017-2018	18438	315371	333814
2018-2019	22243	241960	264203
2019-2020	29817	298405	328222
2020-2021	19576	365978	385554

Source: Secondary data

Chart **No.7**



Interpretation:

- Gross capital employed is fluctuating trend during the review period of time.
- During the year 2020-2021 the value was recorded as 385554 and the year 2019-2020 the value decreased to 328222.
- The highest value is 385554 in the year 2020-2021.
- The lowest value is 264203 in the year 2018-2019.

FINDINGS

1. According to the trend analysis it can be observed that the growth rate of total investment of the bank is in upward trend.
2. The average growth in fixed assets is Rs. 21779 in five years.
3. The gross fixed to net worth ratio is fluctuating from year to year. In the year 2020-2021 the gross fixed assets to net worth ratio is 0.34, in the year 2019 to 2020 the fixed assets to net worth to acquire the ratio is 0.64.
4. The fixed assets has percentage to current liabilities ratio was 5.34 in the year 2020-2021 and is gradually increased to 9.99 in 2019-2020.
5. The fixed assets as a percentage of total assets is 0.35 in the year 2020-2021. It is increased to 0.61 in the year 2019-2020.

CONCLUSIONS

1. Fixed assets to Networth ratio is increasing every year.
2. Fixed assets percentage against long term liabilities is fluctuating every year.
3. The percentage of fixed assets to total assets is increased from 0.35 in the year 2020-2021 to 0.61 in the year 2019-2020.
4. Gross capital employed is decreasing every year from 2020-2021 to 2019-2020.

SUGGESTIONS

After analyzing the financial position of Honda, Karimnagar and evaluating its Fixed Assets Management or Capital Budgeting Techniques in inspect of Components Analysis, Trend Analysis and Ratio Analysis. The following conclusions are drawn from the project preparation.

- The fixed assets to total assets ratio is very low. The bank has to increase the position of fixed assets over total assets.
- The investments ratio is very low. The bank has to take necessary steps to increase the position of investments.
- The Company should focus on the current liabilities as they are increasing in fluctuating trend.

By seeing the above points we can say the company's position is growing steadily and the company is having potentially in improving the financial position future which is a good sign.

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A STUDY ON

CASHFLOW STATEMENT IN ASIAN PAINTS KARIMNAGAR

STUDENT STUDY PROJECT SUBMITTED TO THE COMMISSIONER OF COLLEGIATE EDUCATION, Hyderabad

Under the
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CASH FLOW ANALYSIS

An analysis of cash flow of a concern during a specified period presented in the form of a statement is known as flow analysis. Thus cash flow statement can be for the part or can be a projection for the future. The cash flow of the concern in the near future. Say for a period of six months or one year. Can be prepared based on the past trends and expectations of the concern regarding factors that would affect its cash receipts and cash payment. Such an estimate of future cash flows is better termed 'cash budget', Cash flow statement generally refers to the statement showing the receipts (inflows) and payments (outflows) of cash during the period covered by two consecutive balance sheets.

George Phillipatos is of the view that, in its generic sense, a cash flow is the receipts and the payment of amount of money and that it implies more than our accrual or a financial obligation, observes that a cash flow is frequently and erroneously assumed to include only current operations.

Cash flow analysis enables the management to plan and coordinate the financial operations of the enterprises, and furnish the basis for evaluating financing polices. It provides a barometer for the ensuring the profitability of the business and makes financing problems of the business much more manageable.

Definition

"The financial statements provide a summary of the accounts of a business enterprise, the balance sheet reflecting the assets, liabilities and capital as on a certain date and the income statement showing the results of operation during a certain period".

- John.N.Myer

NEED OF THE STUDY

- It is a study which is important to know about the cash inflows and outflows of the Asian Paints.
- The cash flow analysis in the Asian Paints helps to know the fluctuations in cash inflow, outflows and also liquidity position clearly.

- The statement of cash flows is a relatively new financial statement in comparison to the income statement or the balance sheet.
- This may explain why there are not as many well-established financial ratios associated with the statement of cash flows.

SCOPE OF THE STUDY

The present study reveals the cash flow analysis of the company covering purely financial data supplied by the company's cash flow statements through cash flow analysis, classifications of cash flows and preparation of cash flow statements. These are analyzed financial data along with interpretation. The study covers the data related to the Asian Paints only.

OBJECTIVE OF THE STUDY

1. To evaluate the performance of the organization over the last five years.
2. To know the concept of cash flow analysis.
3. To evaluate the profitability position of the company
4. To examine the efficiency in the utilization.
5. To draw conclusions and to suggest suitable measures, to overcome problems, if any to improve its performance.

RESEARCH METHODOLOGY

The data for present study is collected from two sources. They are

1. Primary data and:
2. Secondary data

Primary data:

Data observed or collected directly from first-hand experience.

The primary data is collected by interacting with the finance manager and other concerned executives at the administrative office of the company.

Secondary data

Published data and the data collected in the past or other parties are called secondary data.

All the secondary data used for the study has been extracted from the annual reports, manuals and other published materials of the company.

LIMITATIONS

1. Comparative statements are computed from historical accounting records so they posses those limitations.
2. The study is limited only for a period of 5 years i.e. 2016-202120.
3. The study having limited scope of gathering sufficient financial information as it is confidential.
4. The study is limited up to the data and information provided by the Asian Paints and its annual reports.

COMPANY PROFILE

Since its foundation in 1942, Asian Paints has come a long way to become India's largest and Asia's second largest paint company, with a turnover of Rs. 155.34 billion. We operate in 19 countries and have 26 paint manufacturing facilities in the world, servicing consumers in over 65 countries.

HISTORY

The company has come a long way since its small beginnings in 1942. It was set up as a partnership firm by four friends who were willing to take on the world's biggest, most famous paint companies operating in India at that time. Over the course of 25 years, Asian Paints became a corporate force and India's leading paints company. Driven by its strong consumer-focus and innovative spirit, the company has been the market leader in paints since 1967. Today, it is double the size of any other paint company in India. Asian Paints manufactures a wide range of paints for decorative and industrial use.

Asian Paints is India’s leading paint company and Asia’s second largest paint company, with a group turnover of Rs 155.34 billion. The group has an enviable reputation in the corporate world for professionalism, fast track growth, and building shareholder equity. Asian Paints operates in 19 countries and has 26 paint manufacturing facilities in the world servicing consumers in over 65 countries. Besides Asian Paints, the group operates around the world through its subsidiaries Berger International Limited, Apco Coatings, SCIB Paints, Taubmans and Kadisco.

Asian Paints was included in Forbes Asia’s ‘Fab 50’ list of Companies in Asia Pacific in 2011, 2013, 2014 and 2015. Forbes Global magazine USA ranked Asian Paints among the ‘200 Best Small Companies in the World’ for 2002 and 2003 and presented the 'Best under a Billion' award, to the company. Asian Paints is the only paint company in the world to receive this recognition. Forbes has also ranked Asian Paints among the ‘Best under a Billion companies in Asia’ in 2005, 2006 and 2007. The company was also felicitated as one of the most ‘Impactful companies of the Decade’ by CNBC Awaaz in Jan 2016.

The company has come a long way since its small beginning in 1942. Four friends who were willing to take on the world's biggest, most famous paint companies operating in India at that time set it up as a partnership firm. Over the course of 25 years, Asian Paints became a corporate force and India's leading paints company. Driven by its strong consumer-focus and innovative spirit, the company has been the market leader in paints since 1967. Today it is double the size of any other paint company in India and manufactures wide range of paints for Decorative and Industrial use.

In Decorative paints, Asian Paints is present in all the four segments v.i.z Interior Wall Finishes, Exterior Wall Finishes, Enamels and Wood Finishes. It also introduced many innovative concepts in the Indian paint industry like Colour Worlds (Dealer Tinting Systems), Home Solutions (painting solutions Service), Kids World (painting solutions for kid's room), Colour Next (Prediction of Colour Trends through in-depth research), and Royale Play Special Effect Paints, just to name a few. It has also introduced 'wall coverings' under its portfolio.

Asian Paints has always been ahead when it comes to providing consumer experience. It has set up Signature Stores in Mumbai, Delhi and Kolkata in India, where consumers are educated on colours and how it can change their homes. The company has also set up 'AP Homes' – a multi-category décor store in Coimbatore (Tamil Nadu, India) which offers décor solutions across categories of paints, wall papers, kitchen, bath fittings, sanitary ware, furnishings etc.

The company has also introduced Loctite brand of adhesives in certain western markets of India through an exclusive distribution agreement with Henkel Adhesives Technologies, Germany.

Asian Paints is present in the waterproofing segment as well and offers various solutions through 'smartcare' range of products.

Vertical integration has seen Asian Paints diversify into chemical products such as Phthalic Anhydride and Pentaerythritol, which are used in the paint manufacturing process.

Asian Paints also operates through 'PPG Asian Paints Pvt Ltd' (50:50 JV between Asian Paints and PPG Inc, USA, one of the largest automotive coatings manufacturer in the world) to service the increasing requirements of the Indian automotive coatings market. The second 50:50 JV with PPG named 'Asian Paints PPG Pvt Ltd' services the protective, industrial powder, industrial containers and light industrial coatings markets in India.

PRODUCTS OF ASIAN PAINTS

Comparison chart - interior paints

Product	Price Range	Finish	Coverage	Shade Range	Warranty
 Royale Aspira	Super Luxury	Soft Sheen	140-20170	1750+	5
 Royale Atmos	Luxury	Matt	140-20170 (2 Coats)	1750+	None
 Royale Luxury Emulsion	Luxury	Soft Sheen	140-20160	1775+	None
 Royale Shyne	Luxury	High Sheen	140-20160	1775+	None
 Royale Matt	Luxury	Matt	140-20160	1775+	None
 Royale Lustre	Luxury	Dana Finish	45-50	1750+	None

 Apcolite Advanced	Premium	Matt	140-20160	1750+	None
 Apcolite Premium Satin Emulsion	Premium	Satin	100-120	1530+	None
 Apcolite Premium Emulsion	Premium	Matt	140-20160	1750+	None
 Interior Finish Lustre	Premium	High Sheen	75-95	1000+	None
 Tractor Emulsion	Value For Money	Matt	130-20160	1675+	None
 Royale Luxury Enamel	Luxury	Gloss	100-120	1472+	None

INTRODUCTION

A) MEANING OF CASH

The term “CASH” has a variety of meanings. There are people who take it synonymous to cash and to them there is no difference between a CASH Flow Statement and a cash Flow Statement. While others include marketable securities besides cash in the definition of the term CASH. The International Accounting Standard No. 7 on statement of changes in financial position also recognizes the absence of single, generally accepted definition of term. According to the standard, “The term fund refers to cash and cash equivalents or to working capital”.

These statements can be classified into four :

- Income statement
- CASH Flow Statement
- Statement of Changes in Financial Position
- Cash Flow Statements

1. INCOME STATEMENT

As already indicated in an earlier chapter as an income statement measures the inflow of assets resulting from rendering of goods or service customers over a period of time.

2. CASH FLOW STATEMENT

This statement measures the inflows and the outflows of working capital that result from any type of business activity.

3. STATEMENT OF CHANGES IN FINANCIAL POSITION

This statement has a wider meaning than CASH flow statement. It measures changes both in working capital and non–working capital.

4. FUNDS CASH FLOW STATEMENTS

The statement measures inflows and the outflows of cash on account of type of business activity.

CURRENT ASSETS

The term Current Assets" includes cash and other asserts that are expect to be converted into cash or consumed in production of goods or rendering of services in the normal course of business. However, the best definitions of the term " Current Assets" has been given by gray in the following words. For accounting purpose, the term "Current Assets" is used to designate cash and other assts or resources commonly identified as those, which are reasonable, expected to be realized in cash or sold consumed during the normal Operating cycle of the business.

The Broad categories of "Current Assets " are:

- Cash including fixed deposits with banks
- Accounts receivable, Trade debts and bills receivable.
- Inventory stock of raw material, work- in –progress, finished goods, stores and spare parts.
- Advances recoverable the advances given to suppliers of goods and services or deposit with government or other public authorities, custom, part authorities, advance income tax.
- Pre-paid expenses, cost of unexplored services, insurance premium paid in advance.

CURRENT LIABILITIES

The term "Current Liabilities" is used principally to designated such obligation whose liquidation is reasonable expected to require the use of assets classified as current assets in the same balance sheet or the creation of other current liabilities or those expected to be satisfied with in a relatively short period of time usually one year. However, this concept of current liabilities as all obligation that will require with in the coming year of the operating cycle which ever is longer. The use does existing current assets

The creation of the current liabilities. In other words, the more fact that an amount is due within a year does not make it a current liabilities. For example, debenture due for redemption with in a year of the balance sheet date will not be taken as a current liabilities of they are to be paid out of the proceeds realized on account of Sale of debentures redemption fund investments. The term current liabilities also includes amounts sea part or provided for any know liability or which the amount can't be determined with substantial accuracy called provision rather than liabilities.

The Broad Categories of "Current Liabilities" are:

- Accounts payable, bills payable and trade creditors.
- Outstanding expenses, expenses for with services have been received by the payment have not been made.
- Bank overdrafts.
- Short-Term loans, loans from banks which are payable with in one year from the date of balance sheet.
- Advance payments received by the business for the services to be rendered or goods to be supplies in future.
- Current majorities of long-time loans, long-term debts due with in a year of those loans. Provided payable out of existing current assets or by creation of current liabilities as discussed earlier. However , installment of long-term loans due after a year should be taken as non-current liabilities.

NON CURRENT ASSETS

All assets other than current assets come with in the categories of non-current assets. Such assets include goodwill, land and building, plant and machinery, furniture, long-time investments , patent rights trade marks, debit balances of the profit and loss account, discount on issue of shares and debentures, preliminary expenses etc.,

NON-CURRENT LIABILITIES

All liabilities other than current liabilities come with in the category of non-current liabilities. They include share capital, long term loans, debentures and share premium, credit balances of the profit and loss account, revenue and capital reserves.

PROFORMA OF A CASH FLOW STATEMENT

(Statement of sources and applications of CASH)

Sources	**Rs**	**Applications**	**Rs**
Income from business operations(profit)	xxx	Income from business operation(loss)	xxx
Issue of shares at par (discount /premium)	xxx	Redemption of shares at par (discount /premium)	xxx
Issues of debentures at par (discount /premium)	xxx	Redemption of debentures at Par (discount /premium)	xxx
Long term and medium loans taken	xxx	Payment of loans	xxx
Sale of investments	xxx	Purchase of investments	xxx
Non- trading income	xxx	Non-trading payment	xxx
Sale of fixed assets	xxx	Dividend paid	xxx
Total	**xxx**	**Total**	**xxx**

PROFORMA OF STATEMENTS OF CHANGES IN WORKING CAPITAL

Particulars	Previous Year	Current Year	Effect of change in Working Capital	
			Increase	Decrease
CURRENT ASSETS	xxx	xxx		
Cash	xxx	xxx		
Bank	xxx	xxx		
Bills receivables	xxx	xxx		
Debtors	xxx	xxx		
Start	Xxx	xxx		
Prepaid expenses				
	Xxx	xxx		
TOTAL(A)				
CURRENT LIABILITIES	xxx	xxx		
	xxx	xxx		
Bills payable	xxx	xxx		
Bank over draft	xxx	xxx		
Creditors	xxx	xxx		
Provision for income tax				
Outstanding expenses	Xxx	xxx		
TOTAL(B)				
NETWORKING CAPITAL				
(A-B)	xxx	xxx		
Increase/decrease in	Xxx	xxx		
working capital				
TOTAL	Xxx	xxx		

Working Capital =Current Assets- Current Liabilities.

Net Increase/Decrease in working Capital

PROFORMA OF ADJUSTED PROFIT & LOSS ACCOUNT

DEBIT	**Rs**	**CREDIT**	**Rs**
To depreciation written off	xxx	By opening balance	xxx
To provision for tax			
To proposed dividend	xxx	By dividends already credited to R & D account	xxx
The preliminary expenses written off	xxx		
To good will written off	xxx	By over-provision for taxation written back	xxx
To discount on issue of shares and debentures	xxx	By gain on sale of fixed assets	xxx
To different revenue expenses already changed	xxx	By CASH from trading operations (balancing figure)	xxx
To transfer to general reserves	xxx		
To transfer to sinking fund	xxx		
To loss on sale of fixed assets written off	xxx		
To closing balance	xxx xxx		
TOTAL	**XXX**	**TOTAL**	**XXX**

CALCULATION OF CASH FROM OPERATION OR TRADING PROFITS

To current operating profit are the main sources of CASH. The operating profits are the excess of operating or sales revenue operating costs, which include cost of goods sold and operating expenses. While sales result in inflow of CASH in the form of cash bills receivable and sundry debtors. The operating cost result in outflow of CASH in the sundry and expense creditors and acceptances. thus the net inflow would to sources of CASH, and the net out flow would be applications of CASH.

While calculation the CASH from operations only those transactions, which affect the movement of CASH, should be considered. In other words, all non fund transactions such as depreciation etc., should be readjusted to current profit net profit and loss account has been credited with certain non operating income.

PREPARATION OF CASH FLOW STATEMENT

Cash flow statement may be prepared in the following ways:

- Work sheet method
- Conversion of income statement from accrual basis to cash basis
- CASH flow method
- Receipts and payments account method

Out of the four methods of cash flow statements preparation of cash flow statements by following the principle of CASH flow statement is widely used and adapted by several concerns.

(A) WORK SHEET METHOD

A work sheet is prepared by taking the relevant information from the comparative balance sheet, profit and loss account and other relevant information. The work sheet is prepared by the dividing it into three main columns. The first column is meant for net changes, second column is used for adjustments and third column is used for cash changes

PROFORMA WORK SHEET

CASH FLOW STATEMENT-WORK SHEET

Balance sheet &income Items	I Column Net change		II Column Adjustments		III Column Cash changes	

(B) CASH FLOW STATEMENTS BY CONVERETING INCOME STATEMENT FROM ACCRUAL BASIS TO CASH BASIS

According to this method the profit and loss account has to be converted to cash basis. Such converted income statements is known as " cash earning statements" and the process of conversion is simple. All the items of income expenses are converted to cash basis. It means the items of income and expenses are included in the profit and loss account from which cash has really been received or on which cash has been spent.

(C) CASH FLOW METHOD

The cash flow statement is prepared on the lines of CASH flow statements, taking into account only items of cash inflows and cash outflows. There are two approaches for calculating the cash in comings from the various sources (cash operations).

- Income and Expenditure approach
- Net profit approach

A. INCOME AND EXPENDITURE APPROACH

Cash from operation is calculated as cash sale minus cash purchases plus cash operating expenses. In order to a certain cash sale, cash purchase and cash operating expenses on the basis of income statement, the individual items of current assets and current liabilities shown in the balance sheet should be related to the items of income and expenditure shown in profit and loss account and necessary adjustments have to be made. This method is called "Income and Expenditure Method".

CASH FROM OPERATION = (CASH SALE-CASH PURCHASES+CASH OPERATING EXPENSES)

DETERMINATION OF CASH SALES,CASH PURCHASES AND CASH OPERATING EXPENSES

- Ascertainment of cash sales
- Cash purchases
- Cash operating expenses

PROFORMA FOR ASCERTAINMENT OF CASH SALES

PARTICULARS	**Rs.**
Total sale for the period	**xxx**
LESS: increasing in debtors or Bills receivable during the period	**xxx**
	xxx
ADD: decreasing in debtors or Bills receivable during the period	**xxx**
Cash sales	**xxx**

PARTICULARS	Rs.
Total purchases for the period	xxx
Less: income in creditors or	xxx
Bills payable during the period	**xxx**
	xxx
Add: Decrease in creditors or	
Bills payable during the period	
Cash purchases	**xxx**

PROFORMA FOR CASH PURCHASES

PROFORMA OF CASH OPERATING EXPENCES

PARTICULARS	Rs
Total operating expenses	xxx
less: Non cash expenses	
depreciation	
written of good will	
w/o preliminary expense	
w/o reserves	
deferred expenses	xxx
Decrease in prepaid expenses	xxx
Increase in outstanding expenses	xxx
Add : Decrease in outstanding expenses	**xxx**
Increase in prepaid expenses	
	xxx
	xxx
Cash operating expenses for the period	**xxx**

B. NET PROFIT METHOD

Under this method, cash from operation is determined on the basis of net profit. Accordingly the net profit of a concern should be adjusted. The non-cash expenses items are added to the profit and the non operating income items are deducted ascertain the actual cash from operations during the period. After that a comparison of individual items of current assets and decrease in current liabilities are made and the changes are noted down. The increase in current assets and decrease in current liabilities are deducted from the net profit. Similarly, the increase in current liabilities and increase in current assets are added to the net profit to ascertain the cash from operations during the period.

PREPARATION OF CASH FLOW STATEMENT

Sources	Rs.	Applications	Rs.
Opening balance		Income from Business Operations(loss)	
Cash in hand & at Bank	xxx		xxx
		Cash out Flows	
Income from Business Operations(profit)	xxx	Redemption of shares at par(discount/ premium)	
			xxx
Cash in Flows		Redemption of debentures(discount/premium)	
Issue of shares at par (discount / premium)		Payment of loans	xxx
	xxx	Purchase of investment	
issue of debentures at par (discount / premium)		Tax Paid	xxx
		Non-trading payment	xxx
	xxx	Dividends Paid	xxx
long term and medium loans taken		**Increase in Current Assets**	xxx
sales of fixed assets		**Decrease in Current Liabilities**	xxx
non trading income	xxx	**Closing Balance**	
sale of investments	xxx	Cash in hand & at Bank	

Decrease in Current Assets	xxx		xxx
	xxx		
Increase in Current Liabilities			xxx
	xxx		
			xxx
	xxx		xxx
Total	**xxx**	**Total**	**xxx**

CASH FLOW STATEMENT AS ON 2016-2017

PARTICULARS	**AMOUNT**
Cash and cash equivalents at the beginning of the year	43,020
Cash flows from operating activities :	
Direct Premiums received	20,329,699
Payment to re-insurers, net of commissions and claims	(2,271,151)
Payment to co-insurers, net claims recovery	(85,559)
Direct Claims Paid	(11,318,948)
Direct Commission / Brokerage Payments	(1,096,720)
Payment of other operating expenses	(3,363,052)
Preliminary and pre-operating expenses **- -**	

Deposits, Advances, and Staff loans	(366,468)
Service Tax (Net)	24,800
Income tax paid (Net)	7,318
Wealth tax paid **- -**	
Misc Receipts/payments	(2,110)
Cash flow before extraordinary items	1,857,809
Cash flow from extraordinary operations **- -**	
Cash flow from operating activities	1,857,809
Cash flows from investing activities :	
Purchase of investments	(41,295,279)
Sale of Investments (Including gain/ Loss)	32,924,066
Purchase of fixed Assets	(98,782)
Proceeds from sale of fixed assets	2,583
Rent/ Interest/ Dividends received	2,134,095
Investment in money market instruments and in liquid mutual funds (Net)	2,945,121
Repayment received **- -**	

Loan Given **- -**	
Expenses related to investments	(8,130)
Net Cash flow from investing activities	(3,396,327)
Cash flows from financing activities :	
Proceeds from Issuance of Share Capital	1,549,999
Proceeds from borrowings **- -**	
Repayment of borrowings **- -**	
Interest/ Dividend Paid **- -**	
Cash flow from financing activities	1,549,999
Cash and cash equivalents at the end of the year including Bank Overdraft	54,502
Cash and cash Equivalent at the end of year:	
Cash & Bank balance as per schedule	545,783
Less: Temporary book over draft as per schedule	491,281
Cash and Cash Equivalent at the end	54,502

INTERPRETATION

1. Cash and cash equivalents at the beginning of the year 2016-2017 is 43,020.
2. Cash flow from operating activities in the year 2016-2017is 1,857,809.
3. Net cash used in investing activities in the year 2016-2017 is (3,396,327).

4. Cash flow from financing activities in the year 2016-2017 is 1,549,999.
5. Purchase of fixed Assets in the year 2016-2017 is (98,782).

CASH FLOW STATEMENT AS ON 2017-2018

PARTICULARS	AMOUNT
Cash and cash equivalents at the beginning of year:	
Cash & Bank balance	545,783
Less: Temporary Bank Overdraft as per books of accounts	491,281
Cash flows from Operating Activities :-	
Direct Premiums received	23,577,329
Payment to Reinsurance companies net of claims and commission	(218,539)
Payment to Co Insurance companies net of claims and expenses	(274,184)
Direct Claims Paid	(15,086,786)
Direct Commission / Brokerage Payments	(1,180,744)
Payment of other operating expenses	(4,342,189)
Preliminary and pre-operating expenses - -	
Advances, Deposits,Staff loans	660,118
Service Tax (Net) (94,734) 24,800	

Income tax paid (Net)	(1,702)
Wealth Tax paid - -	
Misc Receipts/payments (8,725)	
3,029,844	
Cash Flow before extraordinary items	
Cash flow from extraordinary operations **- -**	
Cash flow from operating activities :-	**3,029,844**
Cash flows from investing activities :-	
Purchase of investments	(28,035,131)
Sale of investment (including gain/loss)	21,544,160
Purchase of fixed Assets	(138,495)
Proceeds from Sale of fixed Assets	6,277 2,583
Rent/Interest/Dividends received	2,845,638
Investment in money market instruments and in liquid mutual funds (Net)	838,282
Loan Given	254,126
Expenses related to investment activities	(24,810)

Repayment received	-
Net Cash Flow from Investing activities	**(2,709,953)**
Cash flows from financing activities :-	
Proceeds from issuance of share capital	–
Proceeds from borrowings	**-**
Repayment of borrowings	**-**
Interest/ Dividend Paid	–
Cash flow from Financing activities	–
Cash and cash equivalents at the end of period including Bank overdraft *	**374,393**
*** Cash and cash Equivalent at the end of period:**	
Cash & Bank balance as per schedule	644,135
Less: Temporary book over draft as per schedule	269,742
Cash and Cash Equivalent at the end of period	**374,393**

INTERPRETATION

1. Cash and cash equivalents at the beginning of the year 2017-2018is 545,783.
2. Cash flow from operating activities in the year 2017-2018is 3,029,844.
3. Net cash used in investing activities in the year 2017-2018 is (2,709,953).
4. Cash flow from financing activities in the year 2017-2018 is 0.

CASH FLOW STATEMENT AS ON 2018-2019

PARTICULARS	2019 In Crs.
(A) Cash Flow From Operating Activities	
Profit before prior period item, tax and after exceptional item	2,377.75
Adjustments for :	
Depreciation, Amortisation & Exceptional Item	238.36
Interest income	(11.53)
Dividend income	(70.30)
Finance costs	23.40
Provision for doubtful debts and advances	3.34
Bad debts written off	1.98
Net unrealised foreign exchange (gain)/loss	(10.98)
Profit on sale of long term investments (net)	(24.70)
Profit on sale of short term investments (net)	(3.81)
Profit on sale of fixed assets (net)	(10.37)
Provision/(Reversal of provision) for diminution in value of long term investments	65.35

Operating Profit before working capital changes	
Adjustments for :	
(Increase) in trade receivables*	(34.91)
(Increase) in other receivables*	(79.65)
(Increase)/Decrease in loans and advances	(25.94)
Decrease/(Increase) in inventories*	192.06
Increase/(Decrease) in trade and other payables*	161.45
Increase in provisions	15.15
Cash generated from Operating activities	
Income Tax paid (net of refund)	(760.96)
Net Cash generated from Operating activities	**1143.60**
(B) Cash Flow from Investing Activities	
Purchase of Fixed Assets	(686.72)
Sale of Fixed Assets	12.22
Loans to subsidiary	(0.20)
Repayment of loan from subsidiaries	-

Purchase from Products Private Limited	-
Purchase of long term investments - Subsidiaries	(143.17)
Purchase of long term investments - others	(282.33)
Purchase of short term investments	(70.04)
Sale of long term investments	209.70
Sale/ (Purchase) of short term investments - others	19.04
Proceeds from sale of short term investments (net)	3.81
Interest received	4.61
Dividend received from subsidiaries	3.05
Dividend received from others	67.25
Net Cash used in Investing activities	**(292.27)**
(C) Cash Flow from Financing Activities	
Proceeds from long term borrowings	5.90
Repayment of long term borrowings	(7.48)
Proceeds from short term borrowings *	-
Repayment of short term borrowings #	-

Finance costs paid	(19.76)
Dividend and Dividend tax paid	(749.72)
Net Cash used in Financing activities	**(727.67)**
(D) Net Increase/(Decrease) in cash and cash equivalents	411.85
Add: Cash and cash equivalents as at 1st April	862.69
Cash and cash equivalents as at 31st March	1,274.54

INTERPRETATION

1. Cash and cash equivalents at the beginning of the year 2018-2019 is 862.69.
2. Cash flow from operating activities in the year 2018-2019 is 1143.60.
3. Net cash used in investing activities in the year 2018-2019 is (292.27).
4. Cash flow from financing activities in the year 2018-2019 is (727.67).
5. Purchase of fixed Assets in the year 2018-2019 is (686.72).

CASH FLOW STATEMENT AS ON 2019-2020

PARTICULARS	**2020 In Crs.**
(A) Cash Flow From Operating Activities	
Profit before prior period item, tax and after exceptional item	1,933.57
Adjustments for :	
Depreciation, Amortisation & Exceptional Item	225.52

Interest income	(5.19)
Dividend income	(71.27)
Finance costs	27.13
Provision for doubtful debts and advances	1.59
Bad debts written off	1.09
Net unrealised foreign exchange (gain)/loss	8.27
Profit on sale of long term investments (net)	(27.54)
Profit on sale of short term investments (net)	(2.07)
Profit on sale of fixed assets (net)	(0.33)
Provision/(Reversal of provision) for diminution in value of long term investments	(14.04)
Operating Profit before working capital changes	
Adjustments for :	
(Increase) in trade receivables*	(8.66)
(Increase) in other receivables*	(82.53)
(Increase)/Decrease in loans and advances	32.28
Decrease/(Increase) in inventories*	(130.79)

Increase/(Decrease) in trade and other payables*	(165.92)
Increase in provisions	11.64
Cash generated from Operating activities	**2045.69**
Income Tax paid (net of refund)	(589.15)
(B) Cash Flow from Investing Activities	
Purchase of Fixed Assets	(336.28)
Sale of Fixed Assets	1.49
Loans to subsidiary	(0.28)
Repayment of loan from subsidiaries	0.40
Purchase from Products Private Limited	(36.48)
Purchase of long term investments - Subsidiaries	(0.50)
Purchase of long term investments - others	(242.00)
Purchase of short term investments	(0.04)
Sale of long term investments	330.53
Sale/ (Purchase) of short term investments - others	(87.00)
Proceeds from sale of short term investments (net)	2.07

Interest received	4.55
Dividend received from subsidiaries	2.41
Dividend received from others	68.86
Net Cash used in Investing activities	**(862.78)**
(C) Cash Flow from Financing Activities	
Proceeds from long term borrowings	0.06
Repayment of long term borrowings	(8.17)
Proceeds from short term borrowings *	19.92
Repayment of short term borrowings #	(39.84)
Finance costs paid	(26.69)
Dividend and Dividend tax paid	(672.95)
Net Cash used in Financing activities	**(771.06)**
(D) Net Increase/(Decrease) in cash and cash equivalents	123.66
Add: Cash and cash equivalents as at 1st April	739.03
Cash and cash equivalents as at 31st March	862.69

INTERPRETATION

1. Cash and cash equivalents at the beginning of the year 2019-2020 is 739.03.
2. Cash flow from operating activities in the year 2019-2020 is 2045.69.
3. Net cash used in investing activities in the year 2019-2020 is (862.78).
4. Cash flow from financing activities in the year 2019-2020 is (771.06).
5. Purchase of fixed Assets in the year 2019-2020 is (336.28).

CASH FLOW STATEMENT AS ON 2020-2021

PARTICULARS	**AMOUNT**
Cash and cash equivalents at the beginning of the year	(295,479)
Cash flows from operating activities :	
Direct Premiums received	17,123,573
Payment to re-insurers, net of commissions and claims	(393,966)
Payment to co-insurers, net claims recovery	4,213
Direct Claims Paid	(12,569,180)
Direct Commission / Brokerage Payments	(815,048)
Payment of other operating expenses	(3,280,879)
Preliminary and pre-operating expenses - -	
Deposits, Advances, and Staff loans	(99,845)
Service Tax (Net)	(20,594)
Income tax paid (Net)	113

Wealth tax paid **- -**	
Misc Receipts/payments	4,868
Cash flow before extraordinary items	(46,745)
Cash flow from extraordinary operations **- -**	
Cash flow from operating activities	(46,745)
Cash flows from investing activities :	
Purchase of investments	(19,461,026)
Sale of Investments (Including gain/ Loss)	17,417,499
Purchase of fixed Assets	(74,853)
Proceeds from sale of fixed assets	4,750
Rent/ Interest/ Dividends received	1,405,701
Investment in money market instruments and in liquid mutual funds (Net)	(3,329,758)
Repayment received **- -**	
Loan Given **- -**	
Expenses related to investments	(7,068)
Net Cash flow from investing activities	(4,044,755)

Cash flows from financing activities :	
Proceeds from Issuance of Share Capital	4,430,000
Proceeds from borrowings **-** -	
Repayment of borrowings **-** -	
Interest/ Dividend Paid **-** -	
Cash flow from financing activities	4,430,000
Cash and cash equivalents at the end of the year including Bank Overdraft	43,020
Cash and cash Equivalent at the end of year:	
Cash & Bank balance as per schedule	621,031
Less: Temporary book over draft as per schedule	578,011
Cash and Cash Equivalent at the end	43,020

INTERPRETATION

1. Cash and cash equivalents at the beginning of the year 2020-2021 is (295,479).
2. Cash flow from operating activities in the year 2020-2021 is (46,745).
3. Net cash used in investing activities in the year 2020-2021 is (4,044,755).
4. Cash flow from financing activities in the year 2020-2021 is 4,430,000.
5. Purchase of fixed Assets in the year 2020-2021 is (74,853).

FINDINGS

1. Cash and cash equivalents at the beginning of the year 2020-2021 is (295,479).
2. Cash flow from operating activities in the year 2016-2017is 1,857,809.
3. Net cash used in investing activities in the year 2017-2018 is (2,709,953).
4. Cash flow from financing activities in the year 2018-2019 is (727.67).
5. Purchase of fixed Assets in the year 2019-2020 is (336.28).

SUGGESTIONS

1. Management has to make efficient utilization of the resources available
2. It is recommended that the company's credit policy should be controlled so that the management makes quick collections from debtors.
3. The management has to focus on the investing activities, because these have to help in developing the organizational financial position.
4. The management has to focus on the outflow of the cash because it effects the liquidity position of the company.
5. The company should try to increase it financing activities in 2019. Because there are no financing activities in 2019.

CONCLUSIONS

- From the financing activities the cash inflows are less than the cash out flows.
- Depreciation is in fluctuating manner.
- Trade and Other Receivables also fluctuating but it is increased in the first 3 years in an increasing manner but decreased in the last 2 years.

- Direct taxes for the company are decreased till the 2nd year increased from the 3 rd year to the 5th year.
- Interest paid by the company is in the last year is increased when compared to the previous years.

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A STUDY ON

FIXED ASSETS MANAGEMENT ON HONDA MOTORS KARIMNAGAR

STUDENT STUDY PROJECT SUBMITTED TO THE COMMISSIONER OF COLLEGIATE EDUCATION, Hyderabad

Under the
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SUBMITTED
BY

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DECEMBER, 2021

FIXED ASSETS

Fixed asset is an asset held with the intention of being used for the purpose of producing or providing goods or services and is not held for sale in the normal course of business.

Fixed assets often comprise a significant portion of the total assets of an enterprise, and therefore are important in the presentation of financial position. Furthermore, the determination of whether an expenditure represents an asset or an expense can have a material effect on an enterprise's reported results of operations.

Fixed assets, also known as Property, Plant and Equipment, are tangible assets held by an entity for the production or supply of goods and services, for rentals to others, or for administrative purposes.

These assets are expected to be used for more than one accounting period. Fixed assets are generally not considered to be a liquid form of assets unlike current assets. Examples of common types of fixed assets include buildings, land, furniture and fixtures, machines and vehicles.

The term 'Fixed Asset' is generally used to describe tangible fixed assets. This means that they have a physical substance unlike intangible assets which have no physical existence such as copyright and trademarks.

Fixed assets are not held for resale but for the production, supply, rental or administrative purposes. Assets that held for resale must be accounted for as inventory rather than fixed asset. So for example, if a company is in the business of selling cars, it must not account for cars held for resale as fixed assets but instead as inventory assets. However, any vehicles other than those held for the purpose of resale may be classified as fixed assets such as delivery trucks and employee cars.

Fixed assets are normally expected to be used for more than one accounting period which is why they are part of Non Current Assets of the entity. Economic benefits from fixed assets are therefore derived in the long term.

Fixed assets are those assets which are required and held permanently for a pretty long time in the business and are used for the purpose of earning profits. The successful continuance of the business depends upon the maintenance of such assets. They are not meant for resale in the ordinary course or business and the utility of these remains so long as they are in working order, so they are also known as capital assets. Land and building, plant and machinery, motor vans, furniture and fixture are some examples of these assets.

Financial transactions are recorded in the books keeping in view the going concern aspect of the business unit. It is assumed the business unit has a reasonable

expectation of continuing business at a profit for an indefinite period of time. It will continue to operate in the future. This assumption provides much of the justification for recording fixed assets at original cost and depreciating them in a systematic manner without reference to their current realizable values. It is useless to show fixed assets in the balance sheet at their estimated realizable values if there is no immediate (I.e., cost less depreciation provided) and not at their current realizable values. The market value of a fixed asset may change may with the passage of time, but for accounting purpose it continues to be shown in the books at its book value, I.e., the cost at which it was purchased minus depreciation proved up to date.

The Cost concept of accounting, deprecation calculated on the basis of historical costs of old assets is usually lower than of those calculated at current value. These results in more in more profits on paper which, if distributed in full lead to reduction of capital.

In order for fixed assets to be recognized in the financial statements of an entity, the basic criteria for the recognition of assets laid down in the IASB Framework must be met:

1. The inflow of economic benefits to entity is probable.
2. The cost/value can be measured reliably.

Management of Fixed Assets:

The selection of various fixed assets required creating the desired production facilities and the decision as regards determination of the level of fixed assets is primarily the task at the production / technical people. The decision relating to fixed assets involve huge funds for a long period of time and are generally of irreversible nature affecting the long term profitability of a concern, an unsound invest decision may prove p be total to the very existence of the organization. Thus, management of fixed asset is of vital importance to any organization.

The process of fixed asset management involves:- .

(I) Selection of most worthy projects or alternatives of fixed assets

(II) Arranging the requisite funds /capital for the same.

The first important consideration to be acquire only that much amount of fixed assets which will be just sufficient to ensure smooth and efficient running of the business. In some cases it may be economical to buy certain assets in a lot size. Another important consideration to be kept in mind is possible increase in demand of the firm's product necessarily expansion of its activities. Hence a firm should have that much amount of fixed assets which could adjust to increase demand.

The third aspect of fixed assets management is that must ensure buffer stocks of certain essential equipments/services to ensure uninterrupted production in this events of emergencies. Sometime, there may be a is always better to have some alternative arrangements to deal with such situations. But at the same time the cost of carrying such buffer stock should also be evaluated. Efforts should also be made to minimize the level of buffer stock of fixed assets be encouraging their maximum utilization during learn period learn period, transferring a part of peak period and living additional capacity.

NEED FOR THE STUDY

Fixed Assets plays very important role in relating company's objectives the firms to which capital investment vested on Fixed Assets. These fixed assets are not convertible or not liquid able over a period of time the total owner funds and long term liabilities are invested in fixed assets.

The idle of fixed assets lead a tremendous in financial cost and intangible cost associate to it. So there is need for the companies to evaluate fixed assets performance analysis time to time by comparing with previous performance, Comparison with

similar company and comparison with industry standards. So choose a study to conduct on the fixed assets analysis of Honda, Karimnagar using ratio in comparison with previous year performance. The title of the project is analysis on Fixed Assets Management.

OBJECTIVES OF THE STUDY

1. To know the concepts which are related to the Fixed Assets Management.
2. To examine the growth rate of total investment of the society is in upward trend.
3. To suggest the management of Honda, Karimnagar regarding it's financial performance.

SCOPE OF THE STUDY

The project deals with the analysis of management of fixed assets with concerned ratios related to networth, current liabilities, capital employed, etc. of Honda, Karimnagar. The data collected ranges within the scope of the financial figures drawn from Annul Report of the company. The fixed assets considered in the project are which cannot be converted into cash with one year. Ratio analysis is used for evaluating fixed asset performance of Honda, Karimnagar**.** The subject matter is limited to fixed assets and its performance but not any other areas of accounting, corporate, marketing and financial matters.

RESEARCH METHODOLOGY:

The data used for analysis and interpretation from annul reports of the society that is secondary forms of data. Ratio analysis is used for calculation on purpose. The project is presented by using tables, graphs and with their interpretation.

No survey is undertaken or observation study is conducted in evaluating "Fixed Assets" performance of Honda, Karimnagar.

PROPOSED RESEARCH

Type of research:

The present study involves descriptive and quantitative research. Descriptive research design is a scientific method which involves observing and describing the behavior of a subject without influencing it in any way.

It is a descriptive research that is it includes the various concepts and aspects related to the fixed assets management. It is quantitative research that it includes quantifying the data collected from the annual reports of the company.

SOURCES OF DATA:

Primary data:

The present study involves no primary data for the collection of data related to the study.

Secondary Data:

The data gathering method is adopted purely from secondary sources. The theoretical content is gathered from eminent texts books, annual reports and manuals of Honda, Karimnagar and various websites. Interpretation, Conclusions and Suggestions are purely base on my opinion and suggestions provided by the project guide.

LIMITATIONS OF THE STUDY

- The present study is only for 5 years i.e., from the financial year 2016-2021.
- The analysis is based on the data which is provided by the Companies i.e. Annual reports of the Company.
- The study is based on funds flow statement for a period of 5 years only.

- Classification of the current and fixed assets / liabilities is based on the Volatility of the funds.

COMPANY PROFILE

Honda Motor Company, Ltd. is a Japanese public multinational corporation primarily known as a manufacturer of automobiles and motorcycles.

Honda has been the world's largest motorcycle manufacturer since 1959, as well as the world's largest manufacturer of internal combustion engines measured by volume, producing more than 14 million internal combustion engines each year. Honda surpassed Nissan in 2001 to become the second-largest Japanese automobile manufacturer. As of August 2008, Honda surpassed Chrysler as the fourth largest automobile manufacturer in the United States. Honda was the seventh largest automobile manufacturer in the world behind Toyota, General Motors,Volkswagen AG, Hyundai Motor Group, Ford, and Nissan in 2012.

Honda was the first Japanese automobile manufacturer to release a dedicated luxury brand, Acura, in 1986. Aside from their core automobile and motorcycle businesses, Honda also manufactures garden equipment, marine engines, personal watercraft and power generators, amongst others. Since 1986, Honda has been involved with artificial intelligence/robotics research and released their ASIMO robot in 2000. They have also ventured into aerospace with the establishment of GE Honda Aero Engines in 2004 and the Honda HA-420 HondaJet, scheduled to be released in 2015. Honda invests about 5% of its revenues in research and development.

HONDA SERVICE POLICY

MOTOR CYCLES			SCOOTERS		
SERVICING	**DAYS**	**KMS (KILOMETERS)**	**SERVICING**	**DAYS**	**KMS (KILOMETERS)**

1st FREE SERVICE	15-30	500-750	1st FREE SERVICE	15-30	500-750
2nd FREE SERVICE	75-90	2500-3000	2nd FREE SERVICE	105-120	2500-3000
3rd FREE SERVICE	135-20180	5500-6000	3rd FREE SERVICE	195-210	5500-6000
4th FREE SERVICE	195-210	8500-9000	4th FREE SERVICE	285-300	8500-9000

LEGEND GRID (HONDA SPARE PARTS RETAILER)

FOR GENUINE HONDA SPARE PARTS

SERVICE PROVIDER	CURREENT COLOR CODE	NOS (NUMBERS)	FUTURE COLOR CODE	NOS (NUMBERS)
Honda exclusive authorized dealership	RED	1	ORANGE	-
Authorized service center	BROWN	2	ASH	2
Private workshop owner	BLACK	30	GREEN	15
Parts stockiest	GREEN	LIGHT GREEN	-	-
Parts retailer	-	-	-	PINK

HONDA MOTORCYCLE AND SCOOTER INDIA PVT. LTD. (HMSI)

TECHNICAL SPECIFICATIONS & WEIGHT MEASUREMENTS

KERB WEIGHT (kg)	108
LENGTH (mm)	1972

WIDTH (mm)	742
HEIGHT (mm)	1072
WHEELBASE (mm)	1262
GROUND CLEARANCE (mm)	180
FUEL TANK CAPACITY (Litre)	8

ENGINE AND TRANSMISSION

ENGINE TYPE	4 stroke, Air cooled SI Engine
DISPLACEMENT	109 CC
NET POWER	9 bhp @ 8000 rpm
TORQUE	9 nm @ 6000 rpm
AIR FILTER	Paper filter – viscous
STARTING SYSTEM	Self/kick
TRANSMISSION	4 – speed constant mesh
GEAR SHIFT PATTERN	1 down – 3up

TABLE-1

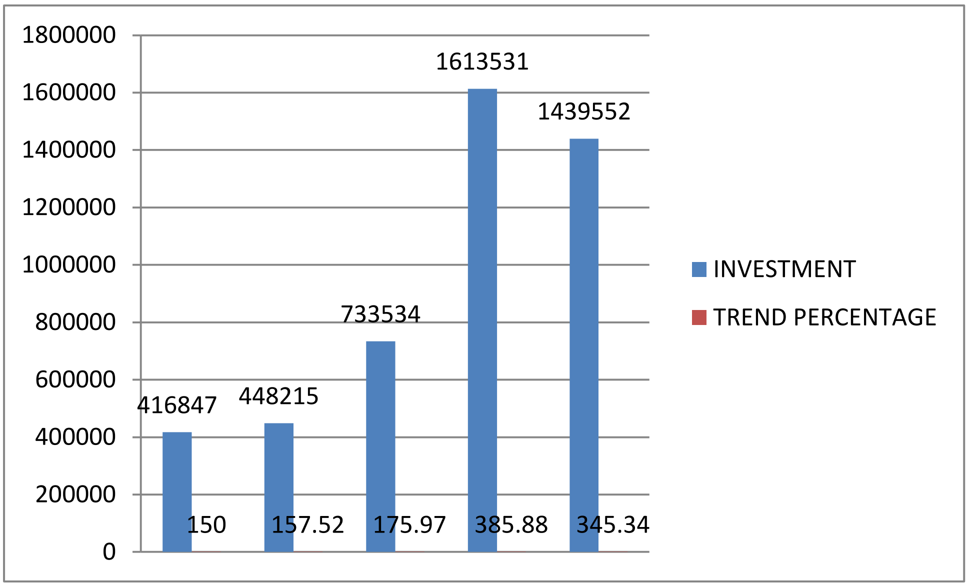
GROWTH RATE OF INVESTMENT TREND

AMOUNT IN ‘000

YEAR	INVESTMENT	TREND PERCENTAGE
2016-2017	448215	157.52
2017-2018	733534	175.97
2018-2019	1613531	385.88
2019-2020	1439552	345.34
2020-2021	416847	150
Average	**929335.8**	**222.942**

Source: Secondary data

Chart No.1



Interpretation:

From the analysis of the above table no.1, it can be observed that the growth rate of total investment is in upward trend and which shows that total investment is increasing from year to year during the year 2020-2021 to 2019-2020. The average investment in total asset was found to be Rs.929335.8 during the review period. During the period of 2020-2021 it is Rs. 416847 and it was increased in the year 2019-2020 Rs.1439552.

From the above table, growth in trend percentage is satisfactory to the organization because it can generate more incomes to the organization.

TABLE 2

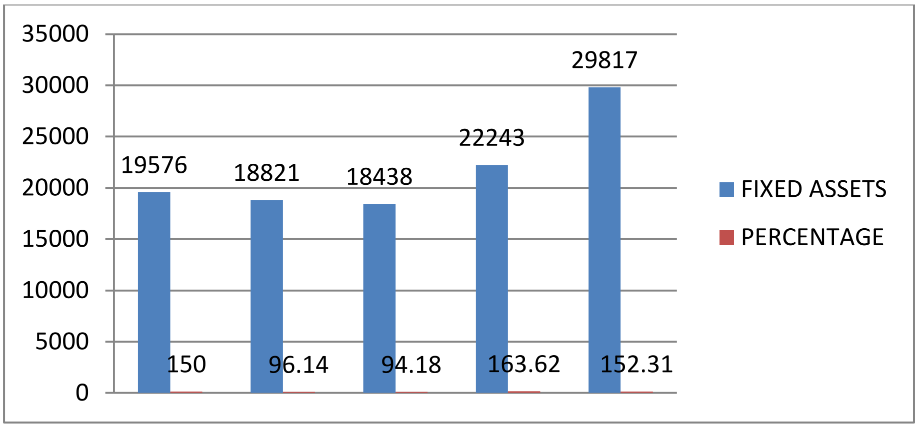
GROWTH RATE IN FIXED ASSETS

AMOUNT IN '000

YEAR	FIXED ASSETS	PERCENTAGE
2016-2017	18821	96.14
2017-2018	18438	94.18
2018-2019	22243	163.62
2019-2020	29817	152.31
2020-2021	19576	150
AVERAGE	**21779**	**161.25**

Source: Secondary data

Chart No.2



Interpretation:

During the year 2020-2021 the assets investment was recorded at 19576 and it is increased to Rs. 29817 in 2019-2020 the fixed assets investment is quite satisfactory. The trend percentage in the year 2020-2021 is taken as the base year as 150% and is was increased to 152.31 in the year 2019-2020.The average growth rate in fixed assets Rs. 21779 in 5 years.

From the above table, growth in fixed assets is satisfactory to the organization because it can generate more incomes to the organization.

RATIO ANALYSIS

Ratio Analysis is a powerful tool of financial analysis. A ratio is defined as "Indicated quotient of two mathematical expression" and as the relationship between evaluating the financial position and performance of a firm. The absolute accounting figure reported in financial statement do not private a meaningful understanding o performance and financial position of a firm. An accounting figure conveys mea when it is related to some other relevant information.

Ratio helps to summarize large quantities of financial data to make quality judgment about the firm's financial performance.

1. Fixed Assets to Net Worth Ratio:

The ratio establishes the relationship between Fixed Assets and Net Worth.

Net Worth = Share Capital + Reserves & Surplus + Retained Earnings.

$$\text{Fixed Assets to Net Worth Ratio} = \frac{\text{Fixed Assets}}{\text{Net Worth}} \times 150$$

The ratio of "Fixed Assets" to "Net Worth" indicates the extent to which shareholder funds are sunk into the fixed assets. Generally, the purchase of fixed assets should be financed by shareholders, equity including reserves & surpluses and retained earnings.

If the ratio is less than 150% it implies that owners funds are more than total Fixed Assets and a part of the working capital is provided by the shareholders. When the ratio is more than 150% it implies that owner's funds are not sufficient to finance the fixed assets and the finance has to depend upon outsiders to finance the fixed assets.

There is no "rule of thumb" to interpret this ratio but 60% to 65% is considered to be satisfactory ratio in case of industrial undertaking.

2. Fixed Assets Ratio:

This ratio explains whether the firm has raised adequate long term funds to meet its fixed assets requirements and is calculated as under.

$$\frac{\text{Fixed Assets (Assets Depreciation)}}{\text{Capital Employed}}$$

This ratio gives an idea as to what part of the capital employed has been used in purchasing the fixed assets for the concern. If the ratio is less than 6% it is good concern.

3. Fixed Assets as a percentage to Current Liabilities:

The ratio measures the relationship between fixed assets and the funded debt and is a very useful so the long term erection. The ratio can be calculated as below:

$$\text{Fixed Assets as a percentage to Current Liabilities} = \frac{\text{Fixed Assets}}{\text{Current Liabilities}}$$

4. Total Investment Turnover Ratio:

This ratio is calculated by dividing the net sales by the value of total assets that is (Net Sales / Total Investment) or (Sales / Total Investment). A high ratio is an indicator of over trading of total assets while a low ratio reveals idle capacity. The traditional standards for the ratio in two times.

5. Fixed Assets Turnover Ratio:

This ratio expresses the number of times fixed assets are being turned - over is a state period. It is calculated as under:

$$\frac{\text{Sales}}{\text{Net Fixed Assets (After Depreciation)}}$$

This ratio shows how well the fixed assets are being uses in the business. The ratio is important is case of manufacturing concern because sales are produced not only by use of Current Assets but also by amount invested in Fixed Assets the higher ratio, the better is the performance.

On the other hand a low ratio indicated that fixed assets are not being efficiently utilized.

6. Gross Capital Employed:

The term "Gross Capital employed" usually comprises the total assets, fixed as well as current assets used in a business.

Gross Capital Employed = Fixed Assets + Current Assets.

7. Return on Fixed Assets:

$$\frac{\text{Profit after Tax}}{\text{Fixed Assets}} \times 150$$

This ratio is calculated to measure the profit after tax against the amount invested in total assets to ascertain whether assets are being utilized properly or not. The higher the ratio the better it is for the concern.

8. Fixed Assets to Net Worth:

Net Worth = Share Capital + Reserves & Surplus + Retained Earning.

If the ratio is less than 150%, it implies that owner funds are more than the fixed assets and a part of working capital is provided by the share holder and vice-versa.

$$\text{Fixed Assets to Net Worth Ratio} = \frac{\text{Fixed Assets}}{\text{Net Worth}} \times 150$$

1. FIXED ASSETS TO NET WORTH

The ratio establishes the relationship between Fixed Assets and Net Worth.

Net Worth = Share Capital + Reserves & Surplus + Retained Earnings.

$$\text{Fixed Assets to Net Worth Ratio} = \frac{\text{Fixed Assets}}{\text{Net Worth}} \times 150$$

TABLE-3

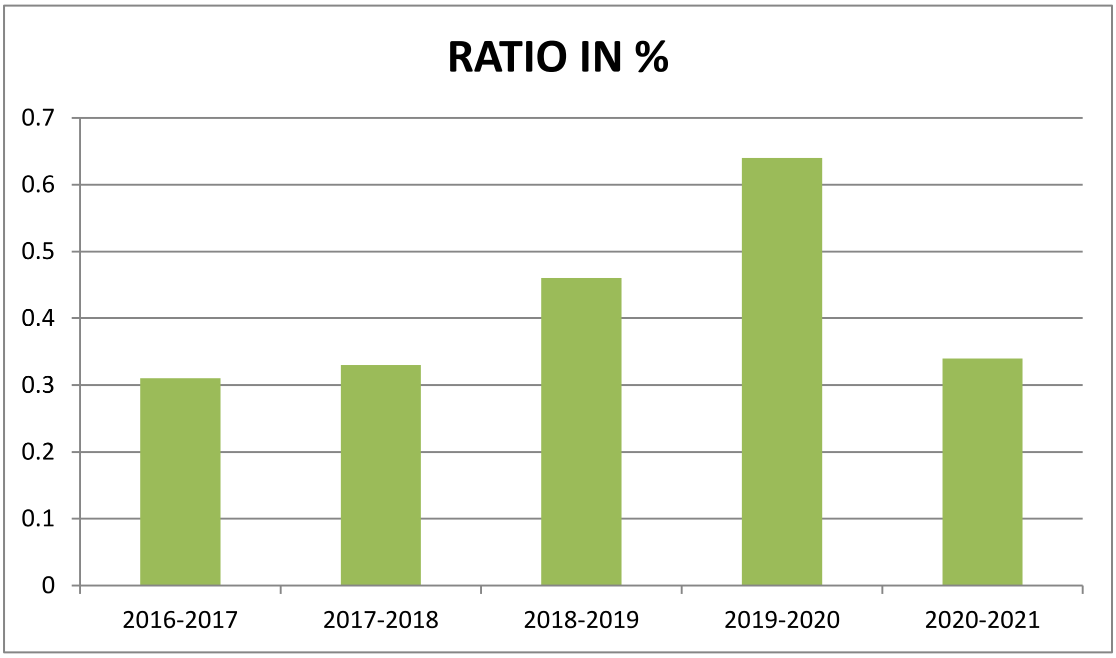
AMOUNT IN ‘000

YEAR	**FIXED ASSETS**	**NET WORTH**	**RATIO IN %**
2016-2017	18821	5951639	0.31
2017-2018	18438	5539930	0.33
2018-2019	22243	4829164	0.46
2019-2020	29817	4619815	0.64

2020-2021	19576	5651638	0.34

Source: Secondary data

Chart No.3



Interpretation:

a) The gross fixed to Net worth Ratio is fluctuating from year to year. In the year 2015-2016 the gross fixed assets to net worth ratio is 0.34.in the year 2019-2020 fixed asset to net worth to acquire the ratio is 0.64

c) The highest ratio recorded in 2019-2020 at 0.64 the lowest ratio is recorded at 0.33 in the year 2017-2018.

2. FIXED ASSETS AS A PERCENTAGE TO LONG TERM LIABILITIES

Fixed Assets ratio a several of fixed assets to net worth is a ratio of fixed assets to long term funds which is calculated as:

$$\text{Fixed assets to long term liabilities} = \frac{\text{Fixed Assets (After Depreciation)}}{\text{Capital Employed}} \times 150$$

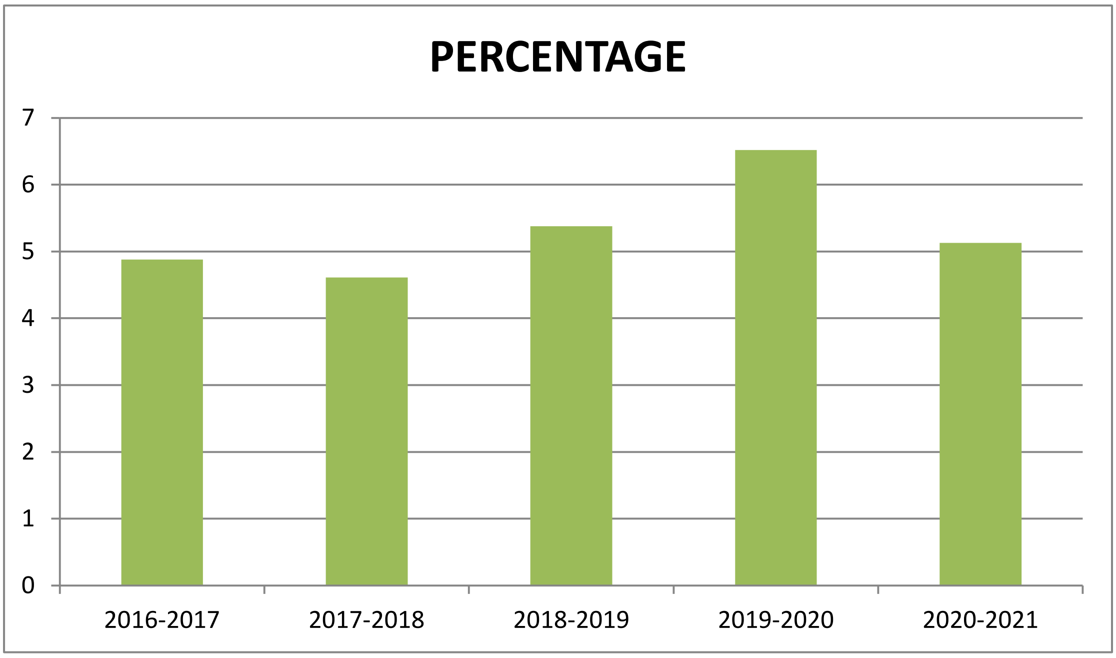
TABLE – 4

AMOUNT IN '000

YEAR	FIXED ASSETS	LONG TERM FUNDS	PERCENTAGE
2016-2017	18821	385649	4.88
2017-2018	18438	399343	4.61
2018-2019	22243	417954	5.38
2019-2020	29817	457172	6.52
2020-2021	19576	381679	5.13

Source: Secondary data

Chart No. 4



Interpretation:

a) The fixed assets as a percentage of long term liabilities the ratio is fluctuating from year to year. The fixed assets as a percentage of long term liabilities are decreased to 4.61 in 2017-2018 but it is recorded at 6.52% in the year 2019-2020.

b) The highest ratio is recorded at 6.52% in the 2019-2020 the lowest ratio is 4.61% in the year 2017-2018.

3. Fixed Assets as Percentage Current Liabilities

$$\text{Fixed Assets a Percentage Current Liabilities} = \frac{\text{Fixed Assets}}{\text{Current Liabilities}}$$

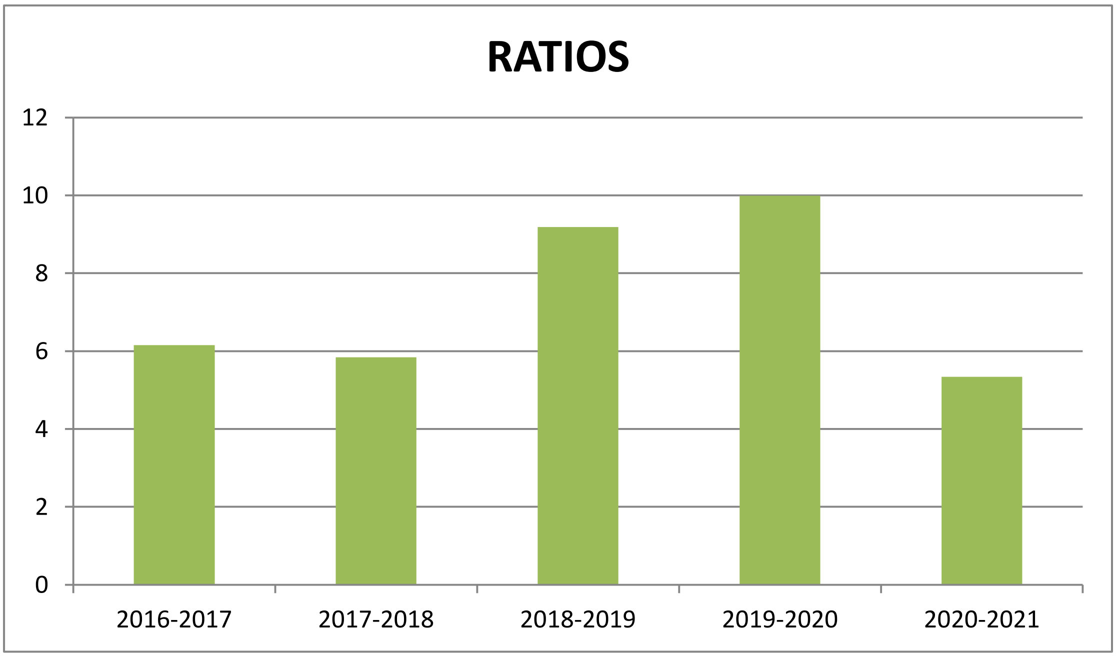
TABLE-5

AMOUNT IN ‘000

YEAR	FIXED ASSETS	CURRENT LIABILITEIS	RATIOS
2016-2017	18821	313474	6.15
2017-2018	18438	315371	5.84
2018-2019	22243	241960	9.19
2019-2020	29817	298405	9.99
2020-2021	19576	365978	5.34

Source: Secondary data

Chart No.5



Interpretation:

a) The ratio was in fluctuating trend percentage in review period.

b) From the above table it is observed that the ratio was recorded at 5.34 in the 2020-2021 and it is gradually changing to 9.99 in 2019-2020 which indicates that the current funds are used in the fixed assets which is quite satisfactory.

c) The highest ratio was recorded at 9.99 which is higher than the average ratio.

d) The lowest ratio was recorded at 5.34, which is Jess than the average ratio.

4. FIXED ASSETS AS PERCENTAGE TO TOTAL ASSETS

$$\text{Fixed assets \% Total Assets} = \frac{\text{Fixed Assets}}{\text{Total Assets}} \times 150$$

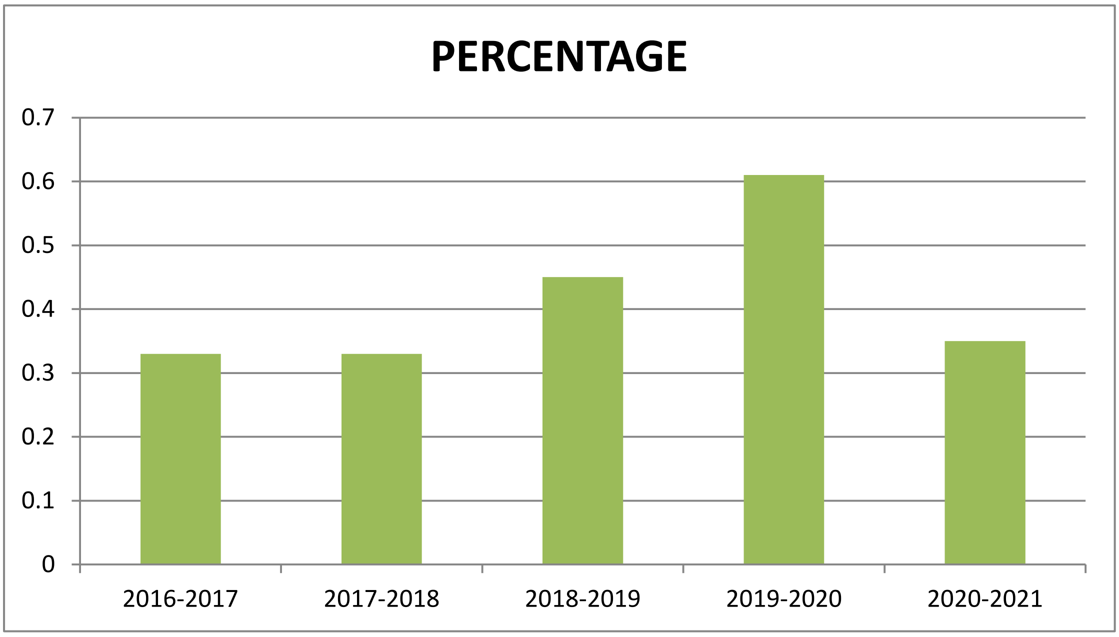
TABLE-6

AMOUNT IN '000

YEAR	FIXED ASSETS	TOTAL ASSETS (IN LAKHS)	PERCENTAGE
2016-2017	18821	5671729	0.33
2017-2018	18438	5438816	0.33
2018-2019	22243	4863687	0.45
2019-2020	29817	4864675	0.61
2020-2021	19576	5535621	0.35

Source: Secondary data

Chart No.6



Interpretation:

1. Fixed Assets to total assets ratio is fluctuating trend during the review period of time.
2. During the year 2015-2016 the ratio was recorded as 0.35% and the year 2019-2020 the ratio increased to 0.61.
3. The highest ratio was observed at 0.61% in the year 2019-2020, which is more than average ratio.

GROSS CAPITAL EMPLOYED

Gross Capital Employed = Fixed Assets + Current Assets

TABLE –7

AMOUNT IN '000

YEAR	FIXED ASSETS	CURRENT LIABILITIES	GROSS CAPITAL EMPLOYED
2016-2017	18821	313474	327295

2017-2018	18438	315371	333814
2018-2019	22243	241960	264203
2019-2020	29817	298405	328222
2020-2021	19576	365978	385554

Source: Secondary data

Chart No.7

Interpretation:

- Gross capital employed is fluctuating trend during the review period of time.
- During the year 2020-2021 the value was recorded as 385554 and the year 2019-2020 the value decreased to 328222.
- The highest value is 385554 in the year 2020-2021.
- The lowest value is 264203 in the year 2018-2019.

FINDINGS

1. According to the trend analysis it can be observed that the growth rate of total investment of the bank is in upward trend.
2. The average growth in fixed assets is Rs. 21779 in five years.
3. The gross fixed to net worth ratio is fluctuating from year to year. In the year 2020-2021 the gross fixed assets to net worth ratio is 0.34, in the year 2019 to 2020 the fixed assets to net worth to acquire the ratio is 0.64.
4. The fixed assets has percentage to current liabilities ratio was 5.34 in the year 2020-2021 and is gradually increased to 9.99 in 2019-2020.
5. The fixed assets as a percentage of total assets is 0.35 in the year 2020-2021. It is increased to 0.61 in the year 2019-2020.

CONCLUSIONS

1. Fixed assets to Networth ratio is increasing every year.
2. Fixed assets percentage against long term liabilities is fluctuating every year.
3. The percentage of fixed assets to total assets is increased from 0.35 in the year 2020-2021 to 0.61 in the year 2019-2020.
4. Gross capital employed is decreasing every year from 2020-2021 to 2019-2020.

SUGGESTIONS

After analyzing the financial position of Honda, Karimnagar and evaluating its Fixed Assets Management or Capital Budgeting Techniques in inspect of Components Analysis, Trend Analysis and Ratio Analysis. The following conclusions are drawn from the project preparation.

- The fixed assets to total assets ratio is very low. The bank has to increase the position of fixed assets over total assets.
- The investments ratio is very low. The bank has to take necessary steps to increase the position of investments.
- The Company should focus on the current liabilities as they are increasing in fluctuating trend.

By seeing the above points we can say the company's position is growing steadily and the company is having potentially in improving the financial position future which is a good sign.

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A STUDY ON

GOODWILL EVALUTION OF ASIAN PAINTS KARIMNAGAR

STUDENT STUDY PROJECT SUBMITTED TO THE COMMISSIONER OF COLLEGIATE EDUCATION, Hyderabad

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DECEMBER, 2021

INTRODUCTION

Goodwill is an accounting concept meaning the value of an asset owned that is intangible but has a quantifiable "prudent value" in a business, such as a reputation the firm enjoys with its clients.

Modern meaning

For example, a software company may have net assets (consisting primarily of miscellaneous equipment, and assuming no debt) valued at $1 million, but the company's overall value (including brand, customers, and intellectual capital) is valued at $10 million. Anybody buying that company would book $10 million in total assets acquired, comprising $1 million physical assets and $9 million in goodwill. In a private company, goodwill has no predetermined value prior to the acquisition; its magnitude depends on the two other variables by definition. A publicly traded company, by contrast, is subject to a constant process of market valuation, so goodwill will always be apparent.

While a business can invest to increase its reputation, by advertising or assuring that its products are of high quality, such expenses cannot be booked as contributing to goodwill. There is hence a disconnect: goodwill from acquisitions can be booked, since it is derived from a market or purchase valuation, but similar internal spending cannot be booked, although it will be recognized by investors who compare a company's market value with its book value.

There is a distinction between two types of goodwill depending upon the type of business enterprise: institutional goodwill and professional practice goodwill. Furthermore, goodwill in a professional practice entity may be attributed to the practice itself and to the professional practitioner.[1]

It should also be noted that while goodwill is technically an intangible asset, goodwill and intangible assets are usually listed as separate items on a company's balance sheet.[2][3]

US practice

History and purchase vs. pooling-of-interests

Previously, companies could structure many acquisition transactions to determine the choice between two accounting methods to record a business combination: purchase accounting or pooling-of-interests accounting. Pooling-of-interests method combined the book value of assets and liabilities of the two companies to create the new balance sheet of the combined companies. It therefore did not distinguish between who is buying whom. It also did not record the price the acquiring company had to pay for the acquisition. Since 2001 U.S. Generally Accepted Accounting Principles (FAS 141) no longer allows the pooling-of-interests method.

Amortization and adjustments to carrying value

Goodwill is no longer amortized under U.S. GAAP (FAS 142).[4] FAS 142 was issued in June 2001. Companies objected to the removal of the option to use pooling-of-interests, so amortization was removed by Financial Accounting Standards Board as a concession. As of 2005-01-01, it is also forbidden under International Financial Reporting Standards. Goodwill can now only be impaired under these GAAP standards. Instead of deducting the value of goodwill annually over a period of maximal 40 years, companies are now required to determine the fair value of the reporting units, using present value of future cash flow, and compare it to their carrying value (book value of assets plus goodwill minus liabilities.) If the fair value is less than carrying value (impaired), the goodwill value needs to be reduced so the fair value is equal to carrying value. The impairment loss is reported as a separate line item on the income statement, and new adjusted value of goodwill is reported in the balance sheet.[6]

When the business is threatened with insolvency, investors will often deduct the goodwill from any calculation of residual equity because it will likely have no resale value.

NEED FOR THE STUDY

The evaluation of goodwill is very important. It involves the study of goodwill of the company. The motive behind the study is to bring the meaning of goodwill and to increase the goodwill of the company. Therefore, it helps in future planning and control decisions.

OBJECTIVES OF THE STUDY

The objectives of the study are as follows:

- To analyze the goodwill of the Asian paints.
- To determine how the Asian paints evaluate the goodwill.

- To know the future need of goodwill in the running position of the Asian paints.
- To render recommendations for the effective management of goodwill.

SCOPE OF THE STUDY

The study is conducted at Karimnagar for 6 weeks duration. The study of goodwill evaluation is purely based on secondary data and all the information is available within the company itself in the form of records. To get proper understanding of this concept I have conducted the interviews with employees of accounts and finance department and stores department. So, scope of the study is limited up to the availability of official records and information provided by the employees. The study is supposed to be related to the period of last five years.

RESEARCH METHODOLOGY

The term research refers to the systematic method consisting of enunciating the problem, formulating a hypothesis collecting the data , analyzing the facts and reaching the certain conclusions either in the form of solution towards the concern problem or in certain generalization for some theoretical formulation .

Research Methodology is a way to solve systematically the research problem .It may be understood as a science of studying how research is done scientifically.

Research Design:

Descriptive research procedure is used for describing the recent situations in the organization and analytical research to analyze the results by using research tools.

Data Source & Collection Methods:

There are two types for collecting data

1. Primary data
2. Secondary data

Primary data:

Primary data which is collected data ourself.

Secondary Data:

Secondary data are those which have already been collected by someone else and already printed data which have already been passed through the statistical process. The Secondary data consist of reality available companies already complied statistical statements. Secondary data consists of not only published records and reports but also unpublished records.

LIMITATIONS OF THE STUDY

- The data, which has been used for the study, is of only the period of 5 years. This analysis has been made purely dependent on the data.
- The methodology for the study includes data only from the financial statements of the company.
- The performance shown in the project is limited to the data provided by the company. Hence, it is limited to the information provided by them.
- The conclusions drawn from the annual figures provided by the company which may not give accurate financial position of the company.

DATA ANALYSIS

TABLE-4.1

PROFITS AND SHARE CAPITAL

YEARS	PROFITS	SHARE CAPITAL
2016-2017	1,159.52	95.92
2017-2018	1,262.76	95.92
2018-2019	**1,427.33**	95.92

2019-2020	**1,779.27**	95.92
2020-2021	1,020.58	95.92
TOTAL	6,649.46	479.6

1. **AVERAGE PROFITS METHOD:**

$$\text{Average profits} = \frac{\text{Total profits}}{\text{No. of years}}$$

=6649.46/5

=1329.8

GOODWILL = Average profit × number of years purchase

=1329.8×5

=6649.46

2. **SUPER PROFITS METHOD:**

2016-2017

Profit=1,159.52

Capital invested=95.92

Calculation of Goodwill:

a) NORMAL PROFITS=Capital Invested × Normal Rate of Return /100

=95.92×10/100

=9.592

b) SUPER PROFIT = Actual profits-Normal profits

=1,159.52-9.592

= 1149.928

c) GOODWILL =Super profits × No. of years purchase

=1149.928×5

= 5749.64

2017-2018

Profit=1,262.76

Capital invested=95.92

Calculation of Goodwill:

a) NORMAL PROFITS =Capital Invested × Normal Rate of Return /100

=95.92×10/100

=9.592

b) SUPER PROFIT = Actual profits-Normal profits

=1,262.76-9.592

=1253.168

c) GOODWILL =Super profits ×No. of years purchase

=1253.168×5

= 6265.84

2018-2019

Profit=**1,427.33**

Capital invested=95.92

Calculation of Goodwill:

a) NORMAL PROFITS =Capital Invested × Normal Rate of Return /100

=95.92×10/100

=9.592

b) SUPER PROFIT = Actual profits-Normal profits

=**1,427.33**-9.592

=1417.83

c) GOODWILL =Super profits ×No. of years purchase

=1417.83×5

= 7089.15

2019-2020

Profit=**1,779.27**

Capital invested=95.92

Calculation of Goodwill:

a) NORMAL PROFITS =Capital Invested × Normal Rate of Return /100

=95.92×10/100

=9.592

b) SUPER PROFIT = Actual profits-Normal profits

=**1,779.27**-9.592

=1769.678

c) GOODWILL =Super profits ×No. of years purchase

=1769.678×5

= 8848.39

2020-2021

Profit=1,020.58

Capital invested=95.92

Calculation of Goodwill:

a) NORMAL PROFITS =Capital Invested × Normal Rate of Return /100

=95.92×10/100

=9.592

b) SUPER PROFIT = Actual profits-Normal profits

=1,020.58-9.592

=1010.988

c) GOODWILL =Super profits × No. of years purchase

=1010.988×5

=5054.94

3) Capitalization Method:

a) Capitalization of Average profit Method:

1. Capitalization of Average profit Method =Average profits × (100/Normal rate of return)

=1329.8×100/10

=13298

2. Capital Employed =Total Assets- Current Liabilities

2016-2017

Capital Employed = Total Assets- Current Liabilities

=3,782.72-3,006.24

=776.48

2017-2018

Capital Employed = Total Assets- Current Liabilities

=4,525.27-3,514.16

=1,011.11

2018-2019

Capital Employed = Total Assets- Current Liabilities

=8,912.48-3,517.23

=5395.25

2019-2020

Capital Employed = Total Assets- Current Liabilities

=10,143.33-3,816.43

=6326.9

2020-2021

Capital Employed	= Total Assets- Current Liabilities

=3,221.04-2,707.11

=513.93

3. Goodwill= capitalization value of Average profit-Capital Employed

2016-2017

Goodwill	= capitalization value of Average profit-Capital Employed

=10416.24-776.48

= 9639.76

2017-2018

Goodwill	= capitalization value of Average profit-Capital Employed

=10416.24-1111.11

= 9405.13

2018-2019

Goodwill	= capitalization value of Average profit-Capital Employed

=10416.24-5395.25

= 5020.99

2019-2020

Goodwill	= capitalization value of Average profit-Capital Employed

=10416.24-6326.9

= 4089.34

2020-2021

Goodwill	= capitalization value of Average profit-Capital Employed

=10416.24-513.93

= 9902.31

B) Capitalization of Super profits:

Goodwill	= Super profits × (100/Normal rate of return)

2016-2017

Goodwill	= Super profits × (100/Normal rate of return)

=1149.928×100/10

=11499.28

2017-2018

Goodwill	= Super profits × (100/Normal rate of return)

=1253.168×100/10

=12531.68

2018-2019

Goodwill	= Super profits × (100/Normal rate of return)

=1417.83×100/10

=14178.3

2019-2020

Goodwill	= Super profits × (100/Normal rate of return)

=1769.678×100/10

=17696.78

2020-2021

Goodwill	= Super profits × (100/Normal rate of return)

=1010.988×100/10

=10109.88

SUPER PROFIT METHOD:

TABLE-4.2

Normal Profits

YEAR	NORMAL PROFITS
2016-2017	9.592
2017-2018	9.592
2018-2019	9.592
2019-2020	9.592
2020-2021	9.592

Source: Secondary data

INTERPRETATION:

The capital invested is similar in all years. It means that the normal profits are similar in all years from 2017-2021.

TABLE-4.3

Super Profits:

YEARS	SUPER PROFITS
2016-2017	1149.928

2017-2018	1253.168
2018-2019	1417.83
2019-2020	1769.678
2020-2021	1010.988

Source: Secondary data

INTERPRETATION:

It means super profits are increased form the year 2017 to 2020 in an increasing manner.

TABLE-4.4

Goodwill

YEARS	GOODWILL
2016-2017	5749.64
2017-2018	6265.84
2018-2019	7089.15
2019-2020	8848.39
2020-2021	5054.94

Source: Secondary data

INTERPRETATION:

It means that the goodwill profits in the year 2017 are 5054.94. It increased in the year 2017 and again increased from the year 2017-2021.

CAPITALIZATION METHOD:

A) capitalization of average profits method:

TABLE-4.5

YEARS	CAPITAL EMPLOYED
2016-2017	776.48
2017-2018	1011.11
2018-2019	5395.25
2019-2020	6326.9
2020-2021	513.93

Source: Secondary data

INTERPRETATION:

It means that in the capitalization of average profits method Goodwill is an increasing in all the years 2017 to 2020

TABLE-4.6

Goodwill

YEARS	GOODWILL
2016-2017	9639.76
2017-2018	9405.13
2018-2019	5020.99
2019-2020	4089.34
2020-2021	9902.31

Source: Secondary data

INTERPRETATION:

It means that the capitalization profits are decreased from the year 2017 to 2020.

B) CAPITALIZATION OF SUPER PROFITS:

TABLE-4.7

Goodwill

YEARS	GOODWILL
2016-2017	11499.28
2017-2018	12531.68
2018-2019	14178.3
2019-2020	17696.78
2020-2021	10109.88

Source: Secondary data

INTERPRETATION:

It means that in the capitalization of super profit goodwill from the year 2017 to 2020 it is increased.

FINDINGS

1. In the average profit method, the Goodwill for the years 2017-2021 is 5208.12

2. In the super profits method, the Goodwill is fluctuating and Goodwill in the all years it is positive.

3. In the capitalized value of average profits, Goodwill for the 5 years is positive.

4. In the capitalization of super profits, Goodwill in the all years it is positive. But in the year 2019 the goodwill is decreased when compared to the year 2018.

SUGGESTIONS

1. In the super profits method the Goodwill is positive in all the years It is good for the company when it gets positive goodwill.

2. In the capitalization average profits method the Goodwill is negative in all the years. It is negative and it is in increasing manner. This effects the growth of the company. The management must focus on widening its area in order to increase its customers which lead to growth in capitalization.

3. In the capitalization super profits method the goodwill is positive in all the years. Company needs to come up with the strategies which brings consistency in goods will.

4. The profits are in fluctuating in all the years but in the year 2017 to 2020 it is decreased and from 2017 to 2020 it is increased. The company has to focus on the profits to increase.

CONCLUSIONS

- Normal profits are similar from the year 2017 to 2020.
- Super profits are increased form the year 2017 to 2020 in an increasing manner
- It means that in the capitalization of super profit goodwill from the year 2017 to 2020 it is increased.
- It means that the capitalization profits are decreased from the year 2017 to 2020.
- It means that in the capitalization of average profits method Goodwill is an increasing in all the years 2017 to 2020
- It means that the goodwill profits in the year 2017 are 5054.94. It increased in the year 2020 and again increased from the year 2017-2021.

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A STUDY ON

WORKING CAPITAL MANAGEMENT ON HP GAS KARIMNAGAR

STUDENT STUDY PROJECT SUBMITTED TO THE COMMISSIONER OF COLLEGIATE EDUCATION, Hyderabad

Under the
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INTRODUCTION

Financial management refers to that part of the management activity which is concerned with the planning and controlling of firms' financial resources. In other words, financial management can be defined as the process of rising, providing and administrating of all money funds to be used in a business enterprise.

It deals with finding out various sources for raising funds for the firm. The source must be suitable and economical for the needs of the business. The most appropriate use of such funds also forms a part of financial management.

DEFINITIONS

"That business activity which is concerned in meeting the financial needs the overall objectives of business enterprise."

-Wheeler

"Financial management is an area of financial decision-making, harmonizing individual motives and enterprise goals".

-Weston and Brigham

"Financial management is concerned with the efficient use of an important economic resource, namely, capital funds."

-Solomon

"Financial management is the application of the planning & control functions of the finance function."

-Howard & Upton

Definition of 'Working Capital Management'

The amount required for taking decisions relating to fulfill the purpose of short-term investment in the business such as purchasing of raw materials, wages to be paid and other activities for maintain or running day to day transactions. To carry out operation, the funds used are known as "WORKING CAPITAL".

Implementing an effective working capital management system is an excellent way for many companies to improve their earnings. The two main aspects of working capital management are ratio analysis and management of individual components of working capital.

A few key performance ratios of a working capital management system are the working capital ratio, inventory turnover and the collection ratio. Ratio analysis will lead management to identify areas of focus such as inventory management, cash management, accounts receivable and payable management.

NEED OF THE STUDY:

The project work is done for analyzing the financial position of the HP Gas. The analysis of the financial position gives a better picture of the financial position of the organization in order to take better decisions.

Working capital guides the board and the management to pursue objectives that are in the interests of the company.

The study is also beneficial to employees and offers motivation by sharing how they are contributing for the company's growth.

This study is also beneficial to top management of the company by providing relevant information regarding important aspects like current assets, current liabilities and liquidity position.

OBJECTIVE OF THE STUDY:

- To evaluate the working capital requirements of the organization over the last five years (2017-2021).
- To examine the liquidity performance of the HP Gas.
- To examine the efficiency in the utilization of finance which the firm manager utilized assets.
- To suggest the steps to be taken to increase the efficiency in management of working capital.

- To study proper mix of short term and long term financing for current assets.

SCOPE OF THE STUDY:

The present study will reveal the financial performance of the company covering purely financial data supplied by the company's financial statements through working capital management. The working capital is an analyzed financial data along with interpretation.

METHODOLOGY:

Methodology is a systematic procedure of collecting information in order to analyze and verify a phenomenon.

SOURCE OF DATA

The collection of data is done through two principle sources viz.,

1) Primary data
2) Secondary data

1) Primary data:

It is the information collected directly without any reference. In the study, it mainly interviews the concerned officers and staffs either individually or collectively.

Some of the information had been verified or supplemented with personnel interview with the officers of the HP Gas.

2) Secondary data:

The secondary data was collected from already published sources such as annual reports, internal records, references from text books and journals relating to financial management and company.

LIMITATIONS OF THE STUDY

- The study is based mainly on secondary data.

- Since the study is confined to only few aspects like loans and advances, so the overall performance of the company cannot be measured accurately.
- Here, the calculations are approximated.
- The accuracy of the results is subjected to the accuracy of the data furnished by the annual reports.

COMPANY PROFILE

For the last 40 years and more, **Hindustan Petroleum** has meant different things to different people. For some it represents an abundant supply of Petrol and Diesel. For others it stands for the easy availability of LPG and lubricants. Thousands of others see in it an inexhaustible reservoir of Kerosene and other petroleum products for meeting their energy needs. For all of them HP signifies an ever- radiant source of energy. Energy that is making a big difference to millions of lives. HP is all set to unveil an exciting new phase in its growth. Diversifying into oil Exploration and Production, Power Generation, Renewable Energy ventures and much more. Confident of creating a **Future full of Energy**.

HPCL is a **Government of India Enterprise** with a **Navratna Status**, and a **Forbes 2000 and Global Fortune 500 company**. It had originally been incorporated as a company under the Indian Companies Act 1913. It is listed on the Bombay Stock exchange (BSE) and National Stock Exchange (NSE), India.

HPCL owns & operates 2 major refineries producing a wide variety of petroleum fuels & specialties, one in **Mumbai** (West Coast) of **6.5**Million Metric Tonnes Per Annum (MMTPA) capacity and the other in **Visakhapatnam**, (East Coast) with a capacity of **8.3** MMTPA. HPCL also owns and operates the largest Lube Refinery in the country producing Lube Base Oils of international standards, with a capacity of 428 TMT. This Lube Refinery accounts for over 40% of the India's total Lube Base Oil production. Presently HPCL produces over 300+ grades of Lubes, Specialities and Greases. HPCL in collaboration with M/s Mittal Energy Investments Pte. Ltd.. is operating a 9 MMTPA capacity Refinery at Bathinda in Punjab and also holds an equity of about 16.95% in the 15 MMTPA Mangalore Refinery and Petrochemicals Ltd. (MRPL).

HPCL has the second largest share of product pipelines in India with a pipeline network of more than 2,500 kms for transportation of petroleum products and a vast marketing network consisting of 13 Zonal offices in major cities and 101 Regional Offices facilitated by a Supply & Distribution infrastructure comprising Terminals, Pipeline networks, Aviation Service Stations, LPG Bottling Plants, Inland Relay Depots & Retail Outlets, Lube and LPG Distributorships.

Consistent excellent performance has been made possible by highly motivated workforce of over 11,000 employees working all over India at its various refining and marketing locations. View Past Annual Reports to know more about HPCL. The RTI Information Manualprovides various details about the operation of the Corporation.

HPCL is committed to achieve the economic, ecological & social responsibility objectives of sustainable development consistently through varied operations and activities. HPCL's focus areas are in the fields of Child Care, Education, Health Care, Skill Development & Community Development, touching lives of weaker section of society.

ROOTS OF HP GAS

1952

- The Company was incorporated in the name of Standard Vacuum Refining Company of India Limited on July 5, 1952.

1962

- On 31st March,1962 the name was changed to ESSO Standard Refining Company of India Limited.

1974

- Hindustan Petroleum Corporation Limited comes into being after the takeover and merger External Website that opens in a new window of erstwhile Esso Standard and Lube India Limited.

1976

- Caltex Oil Refining (India) Ltd. - CORIL is taken over by the Government of India with an Ordinance in 1976, subsequently ratified by an Act & in 1977 merged with HPCL in 1978.

1979

- Kosan Gas Company, the concessionaries of HPCL in the domestic LPG market, are taken over and merged

Our Vision

"To be a World Class Energy Company known for caring and delighting the customers with high quality products and innovative services across domestic and international markets with aggressive growth and delivering superior financial performance. The Company will be a model of excellence in meeting social commitment, environment, health and safety norms and in employee welfare and relations."

Our Mission

"HPCL, along with its joint ventures, will be a fully integrated company in the hydrocarbons sector of exploration and production, refining and marketing; focusing on enhancement of productivity, quality and profitability; caring for customers and employees; caring for environment protection and cultural heritage.

It will also attain scale dimensions by diversifying into other energy related fields and by taking up transnational operations."

BOARD OF DIRECTORS

Your Corporation's Board presently comprises of 13 Directors.

The Whole Time Directors

- Shri Mukesh Kumar Surana (Chairman & Managing Director),
- Shri Pushp Kumar Joshi (Director -Human Resources),
- Shri J Ramaswamy (Director- Finance),
- Shri S Jeyakrishnan (Director - Marketing) and
- Shri Vinod S Shenoy (Director - Refineries).

Shri J Ramaswamy is also a Chief Financial Officer (CFO) of the Corporation in terms of requirement of Section 203 of the Companies Act, 2015.

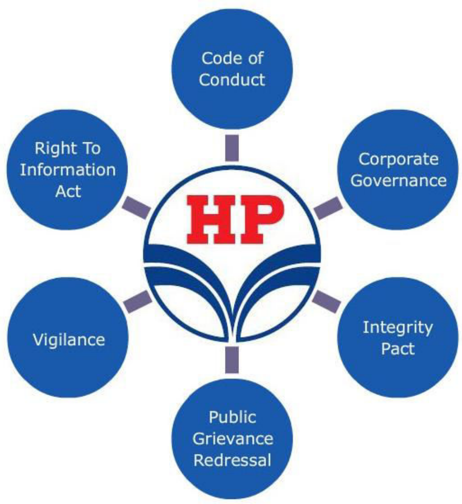
The Government Directors

- Shri Sandeep Poundrik and
- Ms. Sushma Taishete.

The Part Time Non Official Directors (Independent)

- Shri Ram Niwas Jain,
- Smt. Asifa Khan,
- Shri G V Krishna,
- Dr Trilok Nath Singh,
- Shri Amar Sinha and
- Shri Siraj Hussain.

GOVERNANCE



1. Code Of Conduct

1.1 The Code of Conduct for Board Members and Senior Management Personnel" of Hindustan Petroleum Corporation Limited (hereinafter referred to as "the Company").

1.2 The purpose of this Code is to enhance further ethical and transparent process in managing the affairs of the Company.

1.3 The Company currently has Conduct, Discipline & Appeal Rules for Officers ("the CDA Rules"), which govern the conduct of all Officers of the Company including Whole-time Directors but excluding Non - whole time Directors. The Code of Conduct for Board Members and Senior Management Personnel has now been framed specifically in compliance with the provisions of Clause 49 of the Listing

Agreement with Stock Exchanges. In respect of Whole-time Directors and Senior Management Personnel this Code is to be read in conjunction with the CDA Rules.

1.4 It shall come into force with effect from 1st day of January, 2006.

2. Corporate Governance

The evolution of Corporate Governance in India began in early 90s. The starting point was the recommendations of the Cadbury Committee Report after which followed various committees, leading to a formal Corporate Governance Code. This code was notified by Securities Exchange Board of India (SEBI) by inserting a new Clause 49 in the listing guidelines to the Stock Exchanges making it mandatory for the listing companies to follow the requirements of Clause 49 effective January 01, 2006.The major areas of compliance in Clause 49 are

- Appointment of required number of independent directors
- Larger role of Audit Committee
- CEO/CFO Certification of Accounts (will become applicable for 2005-06 Accounts)
- Code of Conduct for Board / Senior Management
- Risk Minimization Report to the Board
- Legal Compliance Report to the Board
- Compliance relating to Subsidiary Companies
- Information items to Board
- Corporate Governance in HPCL

3. Integrity Pact

The Integrity Pact is applicable for HPCL Tenders and Contracts of value above Rupees 1 Crore

Throughout its functioning period, HPCL has upheld the important features like total transparency, integrity and accountability. The virtues are integrated into the system as prerequisite for achieving its Vision of becoming a major integrated energy major. HPCL's business relationships with its numerous domestic and international contractors and vendors of goods and services are steered constantly towards a well thought of direction with high transparency and ethical standard as guiding lights in the transaction process.

The Salient Features of the Integrity pact include:

- The Commitment of HPCL and bidder / contractor to take all measures necessary to prevent corruption
- Disqualification from tender process and exclusion from future contracts in the event of misconduct disregarding the "Integrity Pact"
- The provision of compensation for damages
- Declaration by the bidder with reference to any previous transgression
- Equality in dealing with of all bidders / contractors / sub-contractors
- The provision of filing criminal charges against bidders / contractors / sub-contractors that violate the 'Integrity Pact'
- Provision of Independent External Monitor (IEM) to oversee the bidding process, award of contracts and the progress of the contract. The assurance of highest possible transparency

4. Public Grievance Redressal

Public Grievance: Department of Administrative reforms and Public Grievances, (DARPG), Govt of India, has issued the following clarification regarding what is considered a "Public Grievance".

"It is clarified that in the context of Public Grievances Public is a generic term used to indicate various types of Stakeholders, be they Ministries / Departments / Organizations providing service to or having interface with any other Ministry / Department / Organization or State Governments or a group of Individuals, Associations,Industrialists, Professionals, Non-Governmental Organizations or Members of the Public. Hence, grievances received from any of them would constitute Public Grievances"

Public Grievance Redressal Mechanism in HPCL:

HPCL has established a Public Grievance Redressal system wherein designated officers of the Corporation will be available every Friday between 4.00 PM to 5.00 PM at all major locations to hear & facilitate Redressal of Grievances of the Public, if any.

The public can contact the Public Grievance Redressal Officers at the Regional offices. Click on the links below to locate and contact / correspond with the Grievance Redressal Officer pertaining to your area.

5. Vigilance

The concept of Vigilance as an investigative agency for punitive action, has today evolved to that of "Vigilance for Corporate Growth". The emphasis too has shifted from "punitive vigilance" to "preventive and proactive vigilance". Vigilance function in HPCL is an integral part of the management and supports ethical business decisions.

The CVO provides advice to the Chairman and acts as a link between the Corporation and outside agencies like MOP&NG, PMO, CBI, CVC, etc., on vigilance matters. The Vigilance executives function under the direct control and overall guidance of CVO. The unit Vigilance functionaries also provide assistance to the unit heads in respect of interpretation of CVC, CTE instructions, standing instructions of CVO, and other norms of statutory bodies like CBI, etc.

6. Right To Information Act 2005

The dictum “Knowledge is Power” is truly applicable to the modern world and information is the most important means to acquire knowledge.

The information in the possession of the Public Authorities, by itself does not give any added value to the public. This information belongs to the public and held for the benefit of the public. UN General Assembly realized this and has resolved that the Freedom of information is a fundamental human right and touchstone for all freedoms to which the UN is consecrated. The Commonwealth Human Rights Initiative propounds that the right to information underpins all other human rights.

In this direction, the Right to Information Act 2005 (RTIA) English / Hindi (came into effect from 12th October 2005), empowers the people of India with free flow of information from the Government.

OUR MARKETING NETWORK :

Departments	**2020-16**	**2019-15**	**2018-14**	**2017-13**	**2016-12**	**2012-11**
Regional Offices	106	100	100	101	101	101
Terminals/Installations/TOPs	35	36	35	34	33	32
Depots	91	91	90	90	90	93
LPG Bottling Plants	46	45	46	45	45	44
ASFs	35	35	35	35	34	31
Retail Outlets	13409	13233	12869	12173	11253	10212
SKO/LDO Dealers	1638	1638	1638	1638	1638	1638
LPG Distributors	4133	3952	3506	3194	2897	2633
LPG Customers (in crores)	5.03	4.77	4.37	3.99	3.62	3.28

(Data as of 30th Sept 2020)

The strengthening of the marketing network over the years has lead to dominance in the market reflected in its growth and leading to best quality of service.

HPCL was one of the first companies to understand the nation's energy requirements and take necessary measures to fulfill the expectations. Its increasing infrastructure facilities are due to the successful realization of set targets and sustained quality of service and customer relations.

HPCL presently owns and operates two coastal refineries at Mumbai and Visakhapatnam along with a joint venture refinery at Mangalore & another Refinery of 9 MMTPA in Bhatinda, Punjab by HMEL, a Joint Venture with Mittal Energy Investments Pte. Ltd. A massive infrastructure comprising six Cross Country Pipelines having a thruput of 23.57 MMTPA, an extensive network of terminals, depots, LPG Bottling plants, Lube Filling Plants and Aviation Service Facilities (ASF) contributes to India's growth every year.

THEORETICAL FRAMEWORK

Financial Management is that managerial activity which is concerned with the planning and controlling of the firms financial resources.

Financial management focuses on finance manager performing various tasks as **Budgeting, Financial Forecasting, Cash Management, Credit Administration, Investment Analysis, Funds Management**, etc. which help in the process of decision making.

Financial management includes management of assets and liabilities in the long run and the short run.

The management of fixed and current assets, however, differs in three important ways: Firstly, in managing fixed assets**, time** is very important; consequently discounting and compounding aspects of time element play an important role in capital budgeting and a minor one in the management of current assets. Secondly, the large holdings of current assets, especially **cash**, strengthen firm's liquidity position but it also reduces its overall profitability. Thirdly, the level of fixed as well as current assets depends upon the expected **sales**, but it is only the current assets, which can be adjusted with sales fluctuation in the short run.

Here, we will be focusing mainly on management of current assets and current liabilities. Management of current assets needs to seek an answer to the following question:

1. Why should you invest in current assets?
2. How much should be invested in each type of current assets?
3. What should be the proportion of short term and long-term funds to finance the current assets?
4. What sources of funds should be used to finance current assets?

Format of Working Capital

Particulars	Previous year	Current year	Increase in working capital	Decrease in working capital
CURRENT ASSETS				
Inventories				
Sundry Debtors				
Cash and Bank				
Short term Loans and Advances				
Total Current Assets				
CURRENT LIABILITIES				
Current Liabilities				
Provisions				
Total Current Liabilities				
Net working capital				
Increase in net working capital				
TOTAL				

WORKING CAPITAL ANALYSIS

1. OPERATING CYCLE ANALYSIS

Operating cycle refers to the time period which starts from the raw material purchases and ends with realization of receivable. So it is total time gap between raw material purchases to total debtors' collection. This is also known as working capital cycle. Operating cycle is therefore expressed in terms of months or weeks or days. The higher the operating cycle period, higher the working capital requirement. It comprises of raw material conversion period, WIP conversion period, FG conversion period and debtors' conversion period and creditors period. The basic reason for calculating operating cycle is to find out the means for reducing the duration of operating cycle because if duration of operating cycle will be less than working capital requirement will be less.

$OC = R + W + F + D - C$

Where,

R = raw material conversion period W = work in process period

F = finished goods conversion period D = debtor collection period

C = creditors payment period

Working capital (abbreviated **WC**) is a financial metric which represents operating liquidity available to a business, organization or other entity, including governmental entity. Along with fixed assets such as plant and equipment, working capital is considered a part of operating capital. Net working capital is calculated as current assets minus current liabilities. It is a derivation of working capital, that is commonly used in valuation techniques such as DCFs (Discounted cash flows). If current assets are less than current liabilities, an entity has a working capital deficiency, also called a working capital deficit.

Business Capital is broadly divided into two groups: Fixed Capital and Working Capital. Fixed Capital refers to the funds invested in fixed assets of a firm in the form of land, building, machinery etc. Working Capital refers to the funds invested in the current assets of a firm such as raw materials, work-in-progress, finished goods, receivables, cash etc.

From the viewpoint of manufacturing process, working capital means that part of capital, which is required to keep the flow of production smooth and continuous.

The main point of difference between the fixed capital and working capital is that : Fixed assets are of long run duration and are not converted within a period of one year, whereas the current assets are converted into cash within a period of one year or less. Hence, the problem of fixed assets belongs to the field of capital budgeting, while the problems of current assets belong to the field of working capital management.

Working Capital, being lifeblood for any enterprise, its management becomes a crucial exercise for the Financial Manager of a firm. The need of working capital is directly linked to the growth of the firm. Working Capital is as essential as fixed assets in the successful operation of a production unit.

In the past, only the problems of the management of fixed capital were given importance in the exercise of financial management. But in the present scenario, looking to the increasing importance of the working capital in any business unit, the exercise of management of working capital has become as much important for a financial manager as the management of fixed capital.

Some authors go the extent of saying that financial management means working capital management. Even if this extreme view is regarded as unacceptable, there is no doubt that a large part of a financial manager's time and energy is used up in attending to the problems of working capital management.

The exercise of working capital management covers the following points to be considered:

1. Estimating the working capital needs
2. Procurement of working capital
3. Optimum utilization of working capital

A company can be endowed with assets and profitability but short of liquidity if its assets cannot readily be converted into cash. Positive working capital is required to ensure that a firm is able to continue its operations and that it has sufficient funds to satisfy both maturing short-term debt and upcoming operational expenses. The management of working capital involves managing inventories, accounts receivable and payable, and cash.

Statement of changes in working capital for the year

2016-2017

Particulars	2016 Rs In cr	2017 Rs. In cr	Changes in Working capital	
			Increase Rs. In cr	Decrease Rs. In cr
CURRENT ASSETS				
Current Investments	4,010.69	2,887.07	-	1,123.62
Inventories	16,622.28	19,454.53	2,832.25	-
Trade Receivables	3,076.86	3,565.16	488.30	-
Cash and cash equivalents	79.02	226.38	147.36	-
Short Term loans and advances	5,551.79	10,151.31	4,599.52	-
Other current Assets	252.57	480.81	228.24	-
A. Total Current Assets:	**29,593.21**	**36,765.26**	**7,172.05**	**-**
CURRENT LIABILITIES				
Short Term Borrowings	18,211.04	21,187.88	-	2,976.84
Trade Payables	9,029.40	12,561.12	-	3,531.72

Other current liabilities	5,848.84	7,406.52	-	1,557.68
Short term provisions	1,625.53	1,547.04	-78.49	-
B. Total Current Liabilities	**34,714.81**	**42,702.56**	-	**7,987.75**
Net working Capital (A-B)	-5,121.60	-5,937.30	**-**	**-**
Decrease in Working Capital	**815.70**	**-**	**-**	**815.70**

INTERPRETATION:

- The Trade receivables are increased to Rs. 488.30 Corers in 2017, when compared to the previous year 2016.
- Cash and Cash equivalents are increased by Rs. 147.36 Corers in 2017.
- Short term loans and advances is increased by Rs. 4,599.52 Corers in 2017.
- The Net Working Capital decreased by Rs. 815.70 Corers in 2017.
- Current liabilities are increased by Rs. 7,987.75 Corers in 2017, compared to the previous year 2016.

Statement of changes in working capital for the year

2017-2018

Particulars	2017 Rs In cr	2018 Rs. In cr	Changes in Working capital	
			Increase Rs. In cr	Decrease Rs. In cr
CURRENT ASSETS				
Current Investments	2,887.07	2,360.86	-	526.21
Inventories	19,454.53	16,438.70	-	3,015.83
Trade Receivables	3,565.16	4,935.04	1,369.88	-
Cash and cash equivalents	226.38	147.13	-	79.25
Short Term loans and advances	10,151.31	14,070.36	3,919.05	-
Other current Assets	480.81	278.55	-	202.26
A. Total Current Assets:	**36,765.26**	**38,230.64**	**1,465.38**	**-**
CURRENT LIABILITIES				
Short Term Borrowings	21,187.88	23,511.09	-	2,323.21
Trade Payables	12,561.12	11,036.94	1,524.18	-

Other current liabilities	7,406.52	6,914.08	492.44	-
Short term provisions	1,547.04	1,800.54	-	253.50
B. Total Current Liabilities	**42,702.56**	**43,262.65**	-	560.09
Net working Capital (A-B)	-5,937.30	-5,032.01	**-**	**-**
Decrease in Working Capital	**-**	**905.29**	**905.29**	**-**

INTERPRETATION:

- The Trade receivables are increased to Rs. 1,369.88 Corers in 2018, when compared to the previous year 2017.
- Cash and Cash equivalents are decreased by Rs. 79.25 Corers in 2018.
- Short term loans and advances is increased by Rs. 3,919.05 Corers in 2018.
- The Net Working Capital increased by Rs. 905.29 Corers in 2018.
- Current liabilities are increased by Rs. 560.09 Corers in 2018, compared to the previous year 2017.

Statement of changes in working capital for the year

2018-2019

Particulars	2018 Rs In cr	2019 Rs. In cr	Changes in Working capital	
			Increase Rs. In cr	Decrease Rs. In cr
CURRENT ASSETS				
Current Investments	2,360.86	5,124.04	2,763.18	-
Inventories	16,438.70	18,775.41	2,336.71	-
Trade Receivables	4,935.04	5,465.95	530.91	-
Cash and cash equivalents	147.13	34.71	-	112.42
Short Term loans and advances	14,070.36	10,007.90	-	4,062.46
Other current Assets	278.55	328.77	50.22	-
A. Total Current Assets:	**38,230.64**	**39,736.78**	**1,506.14**	**-**
CURRENT LIABILITIES				
Short Term Borrowings	23,511.09	16,375.17	7,135.92	-
Trade Payables	11,036.94	10,651.39	385.55	-

Other current liabilities	6,914.08	6,538.72	375.36	-
Short term provisions	1,800.54	1,741.98	58.56	-
B. Total Current Liabilities	**43,262.65**	**35,307.26**	7,955.39	**-**
Net working Capital (A-B)	-5,032.01	4,429.52	**-**	**-**
Increase in Working Capital	-	**9,461.53**	**9,461.53**	**-**

INTERPRETATION:

- The Trade receivables are increased to Rs. 530.91 Corers in 2019, when compared to the previous year 2018.
- Cash and Cash equivalents are decreased by Rs. 112.42 Corers in 2019.
- Short term loans and advances is decreased by Rs. 4,062.46 Corers in 2019.
- The Net Working Capital increased by Rs. 9,461.53 Corers in 2019.
- Current liabilities are increased by Rs. 7,955.39 Corers in 2019, compared to the previous year 2018.

Statement of changes in working capital for the year

2019-2020

Particulars	2019 Rs In cr	2020 Rs. In cr	Changes in Working capital	
			Increase Rs. In cr	Decrease Rs. In cr
CURRENT ASSETS				
Inventories	5,124.04	5,373.96	249.92	-
Current Investments	18,775.41	12,972.26	-	5,803.15
Trade Receivables	5,465.95	3,603.05	-	1,862.90
Cash and cash equivalents	34.71	17.07	-	17.64
Short Term loans and advances	10,007.90	5,306.52	-	4,701.38
Other current Assets	328.77	326.62	-	2.15
A. Total Current Assets:	**39,736.78**	**27,599.48**	-	**12,137.30**
CURRENT LIABILITIES				
Short Term Borrowings	16,375.17	2,199.81	14,175.36	-
Trade Payables	10,651.39	8,935.65	1,715.74	-

Other current liabilities	6,538.72	10,162.32	-	3,623.60
Short term provisions	1,741.98	2,397.52	-	655.54
B. Total Current Liabilities	**35,307.26**	**23,695.30**	11,611.96	-
Net working Capital (A-B)	4,429.52	3,904.18	-	-
Increase in Working Capital	-	**525.34**	**525.34**	-

INTERPRETATION:

- The Trade receivables are decreased to Rs. 1,862.90 Corers in 2020, when compared to the previous year 2019.
- Cash and Cash equivalents are decreased by Rs. 17.64 Corers in 2020.
- Short term loans and advances is decreased by Rs. 4,701.38 Corers in 2020.
- The Net Working Capital increased by Rs. 525.34 Corers in 2020.
- Current liabilities are increased by Rs. 11,611.96 Corers in 2020, compared to the previous year 2019.

Statement of changes in working capital for the year

2020-2021

Particulars	2020 Rs In cr	2021 Rs. In cr	Changes in Working capital	
			Increase Rs. In cr	Decrease Rs. In cr
CURRENT ASSETS				
Inventories	5,373.96	4,994.62	-	379.34
Current Investments	12,972.26	12,709.12	-	263.14
Trade Receivables	3,603.05	4,192.66	589.61	-
Cash and cash equivalents	17.07	19.69	2.62	-
Short Term loans and advances	5,306.52	5,295.52	-	11.00
Other current Assets	326.62	277.12	-	49.50
A. Total Current Assets:	**27,599.48**	**27,488.73**	-	**110.75**
CURRENT LIABILITIES				
Short Term Borrowings	2,199.81	3,888.54	-	1,688.73
Trade Payables	8,935.65	6,587.07	2,348.58	-

Other current liabilities	10,162.32	14,587.91	-	4,425.59
Short term provisions	2,397.52	1,725.52	672.00	-
B. Total Current Liabilities	**23,695.30**	**26,789.04**	-	**3,093.74**
Net working Capital (A-B)	3,904.18	699.69	**-**	**-**
Increase in Working Capital	-	**3,204.49**	**3,204.49**	

INTERPRETATION:

- The Trade receivables are increased to Rs. 589.61 Corers in 2021, when compared to the previous year 2020.
- Cash and Cash equivalents are increased by Rs. 2.62 Corers in 2021.
- Short term loans and advances is decreased by Rs. 11.00 Corers in 2021.
- The Net Working Capital increased by Rs. 3,204.49 Corers in 2021.
- Current liabilities are decreased by Rs. 3,093.74 Corers in 2021, compared to the previous year 2020.

FINDINGS

- The Trade receivables are increased to Rs. 589.61 Corers in 2021, when compared to the previous year 2020.
- Cash and Cash equivalents are inreased by Rs. 2.62 Corers in 2021.
- Short term loans and advances is decreased by Rs. 11.00 Corers in 2021.
- The Net Working Capital increased by Rs. 525.34 Corers in 2020.
- Current liabilities are decreased by Rs. 11,611.96 Corers in 2020, compared to the previous year 2019.
- Cash and Cash equivalents are decreased by Rs. 112.42 Corers in 2019.
- Short term loans and advances is decreased by Rs. 4,062.46 Corers in 2019.
- The Net Working Capital increased by Rs. 905.29 Corers in 2018.

CONCLUSIONS

- Working capital management of HP Gas is good. Company has sufficient funds to meet its current obligation every time, which is due to sufficient profits and efficient management of company.

- The amount of stock is increasing per year, which is a good sign, as it would help them in the tough competition coming ahead.

- The working capital cycle (WCC) is the amount of time it takes to turn the net current assets and current liabilities into cash.

- The longer the cycle is, the longer a business is tying up capital in its working capital without earning a return on it.

- Therefore, companies strive to reduce its working capital cycle by collecting receivables quicker or sometimes-stretching accounts payable.

- Firm profitability can be increase by shortening accounts receivables and inventory periods.

SUGGESTIONS

- The management has to focus on current liabilities to reduce them for increasing the current liabilities
- Cash & bank balances of the company are increasing year by year. It is very good improvement for the company and it increases the working capital of the company
- Inventory of the company also increased when compared to the previous year. Increase of inventory affects the effective sales of the organization.
- Management has to identify the appropriate credit policy, i.e. Credit terms, which will attract customers.
- Identify the appropriate source of financing, given the cash conversion cycle: the inventory is ideally financed by credit granted by the supplier

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A STUDY ON

INCOME STATEMENT BHARATHI AIRTEL IN KARIMNAGAR

STUDENT STUDY PROJECT SUBMITTED TO THE COMMISSIONER OF COLLEGIATE EDUCATION, Hyderabad

Under the
JIGNASA
SUBMITTED
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INTRODUCTION

No business can plan its activities without considering its financial resources. Financial management is that part of management which deals with raising of funds in the most economical and suitable manner, using the funds as profitability as possible, planning future operations, inspections, controlling current performance and future development through financial accounting and other means.

Finance in essence is considered with the acquisition and use of funds by a business firm. The main objective of financial management is to control required funds for meeting short term and long-term needs of business enterprise and to maximize the value firm to its equity share holders.

To have a clear understanding of the profitability and financial position of business, the financial statements have to be analyzed and interpreted. Financial statements are prepared for decision making. They play a dominant role in setting the framework of managerial decisions. But the information provided by the financial statement is not an end in itself as no meaningful conclusions can be drawn from these statements alone. However, the information provided by the financial statement is of immense use in making decision through analysis and interpretation of financial statement. It helps to summarize large quantities of financial data and to make quantitative judgments about the firm's financial performance.

Tools for analysis:

The data collected was analysed by using the following tools:-

- Ratio analysis
- Comparative balance sheet

RATIO ANALYSIS

The financial statements, Balance sheet and income statement depicts the picture what has actually happened to earnings during a specified period and presents summary of financial position of the company at a given point of time. Ratio analysis is a very powerful tool useful for measuring performance of an organisation. The ratio analysis concentrates on the inter-relationship among the figures appearing in the financial statements. The ratio analysis helps the management to analyse the past performance of the firm and to make further projections. Ratio analysis allows interested parties like shareholders, investors, creditors, government and analysis to make an evaluation of certain aspects of a firm’s performance. Ratio analysis is a process of comparison of one figure against another which make a ratio and the appraisal of the ratios to make proper analysis the about the strength and weaknesses of the firms operations. The calculation of ratios is a relatively easy and simple task but the proper analysis and interpretation of the ratios can be made only by the skilled analyst. Ratios normally pinpoint a business strength and weakness in two ways.

- Ratio provide an easy way to compare present performance with past.
- Ratios depict the areas in which a particular business competitively advantage or disadvantaged through comparing ratios to those of other business of the same size within the same industry.

COMPARATIVE FINANCIAL STATEMENTS

Comparative financial statements are ones, which have been prepared in a systematic manner and provides statistical information about a particular event {Financial transaction}or aspect, taking place on different dates or during different periods.

The comparative financial statements are chalked out in columnar form (in majority of the cases). One is also able to view comparative accounts of different companies.

Comparative financial statements, like all other financial statements have the following types of financial statements:

- Income statements
- Balance sheet

NEED FOR THE STUDY

The justification of existence of any company is determined by performing as per expectations. Analysis of overall performance is one of the major requirements for planning. Performance evaluation is necessary from the point of view of creditors, public, government, other organizations and the company itself. It is also necessary to bridge the gap between the current and expected position by taking corrective measures. It acts as a yardstick of measuring how the company has been able to move forward as per the plan.

The information provided through the analysis and interpretation of financial statements is of immense help in making decisions. They play a dominant role in setting the framework of managerial decisions.

OBJECTIVE OF THE STUDY

1. To analyze the financial strength and weakness of the firm using various analytical tools like Comparative income statements.
2. To examine the various components of the financial statements of the company & to find out how the Debt and Equity affect the financial performance.
3. To make an overall performance analysis and know the progress of the concern through the five years data.
4. To evaluate the liquidity position and profitability of the company.
5. To involve comparison for a useful interpretation of the financial statements.

SCOPE FOR THE STUDY

A company's profitability and efficiency can be evaluated only through the device of financial analysis of its financial statements. This study is very much useful to share holders and creditors of the company. The study mainly covers the analysis of financial position and operational strength/weakness of the company.

The study is aimed at analyzing the financial statements of TVS on the basis of comparative income statement in order to know the company's financial position and its performance during the past five years from 2016-202120.

RESEARCH METHODOLOGY

The study is partly descriptive and partly analytical. It is descriptive as it traces theoretical frame work of financial management. It is analytical in the sense that it makes an appraisal of the financial management in TVS. The Research Design is needed because it felicitates the smooth sailing of the various research operations. There by making research as efficient as possible yielding maximum information with minimum expenditure.

The study is primarily based on the internal records and annual accounts of the company. Besides this information's are gathered through discussion with the officers of the company. Personal interview was held with various personnel working in the company.

SAMPLING METHOD

Sample size

Financial data which is relevant to 5 years is taken as the sample size.

SOURCE OF DATA

Secondary data is the major base of the study. Secondary data is collected from publications such as annual reports and other records which include journals, magazines and company web sites of TVS.

LIMITATIONS OF THE STUDY

- The period of the study is limited to data of 5 years.
- The study is based on the secondary data provided by the company
- It is difficult to judge the financial performance with the said comparative statement
- Both managers and employees are not ready to fully reveal the data required for the project and the document of the company are not open for the public scrutiny
- The time period was limited which is not sufficient to have a complete study.

COMPANY PROFILE

BHARTI TELE-VENTURES

Bharti Tele-Ventures is one of India's leading private sector providers of telecommunications services based on an aggregate of 28,692627 customers as on September 30, 2006, consisting of 27,061,349 GSM mobile and 1,631,278 broadband & telephone customers

The businesses at Bharti Tele-Ventures have been structured into three individual strategic units (SBU's) –

1) mobile services

2) broadband and telephone services (B&T)

3) enterprise services

The Mobile services group provides GSM mobile services across India in 23 telecom circles, while B&T business group provides broadband & telephone services in 94 cities. The Enterprise Services group has two sub-units – carriers (long distance services) and services top corporates. All these services are provided under the **Airtel** brand.

Bharti Enterprises has been at the forefront of technology and has revolutionized telecommunications with its world class products and services. Established in 1976, Bharti has been a pioneering force in the telecom sector with many firsts and innovations to its credit.

Bharti provides a range of telecom services, which include Cellular, Basic, Internet and recently introduced National Long Distance. Bharti also manufactures and exports telephone terminals and cordless phones. Apart from being the largest manufacturer of telephone instruments in India, it is also the first company to export its products to the USA.

Bharti is the leading cellular service provider, with a footprint in 16 states covering all four metros. It has over 12 million satisfied customers

Bharti Enterprises has successfully focused its strategy on telecom while straddling diverse fields of business. From the creation of **'Airtel',** one of India's finest brands, to becoming the largest manufacturer and exporter of world class telecom terminals under its **'Beetel'** brand, Bharti has created a significant position for itself in the global telecommunications sector. Bharti Tele-Ventures is today acknowledged as one of India's finest companies, and its flagship brand 'Airtel', has over 12 million customers across the length and breadth of India.

While a joint venture with TeleTech Inc., USA marked Bharti's successful foray into the Customer Management Services business, Bharti Enterprises' dynamic diversification has continued with the company venturing into telecom software development. Recently, Bharti has successfully launched an international venture with EL Rothschild Group owned ELRO Holdings India Ltd., to export fresh Agri products exclusively to markets in Europe and USA

"What other operators have achieved in one to two years, Bharti has done in just over a month. In July 2002, one out of every two people buying a mobile across India chose AirTel. We are truly proud to be spearheading the mobile revolution in the country."

- Sunil Bharti Mittal, Chairman, Bharti Tele-Ventures in 2002

Vision

BY 2010 AIRTEL WILL BE THE MOST ADMIRED BRAND IN INDIA:

LOVED BY MORE CUSTOMERS

TARGETED BY TOP TALENT

BENCHMARKED BY MORE BUSINESS

AIRTEL

Airtel comes to you from Bharti Tele-Ventures Limited - a part of the biggest private integrated telecom conglomerate, Bharti Enterprises. A consortium of giants in the telecommunication business. In it's six years of pursuit of greater customer satisfaction, AirTel has redefined the business through marketing innovations, continuous technological up gradation of the network, introduction of new generation value added services and the highest standard of customer care.

Bharti is the leading cellular service provider, with an all India footprint covering all 23 telecom circles of the country. It has over 12 million satisfied customers.

Cellular telephony was introduced in India during the early 1990s. At that time, there were only two major private players, **Bharti (Airtel) and Essar (Essar)** and both these companies offered only **post-paid services**. Initially, the cellular services market registered limited growth.

Moreover, these services were mostly restricted to the metros. Other factors such as lack of awareness among people, lack of infrastructural facilities, low standard of living, and government regulations were also responsible for the slow growth of cellular phone services in India.

Although the cellular services market in India grew during the late 1990s (as the number of players increased and tariffs and handset prices came down significantly) the growth was rather marginal. This was because the cellular service providers offered only post-paid cellular services, which were still perceived to be very costly as compared to landline communications.

Following this realization, the major cellular service providers in India, launched pre-paid cellular services in the late 1990s. The main purpose of these services was to target customers from all sections of society (unlike post-paid services, which were targeted only at the premium segment).

Bharti's Mission

To be globally admired for telecom services that delight customers**.**

We will meet global standards for telecom services that delight customers through:

- Customer Service Focus
- Empowered Employees
- Cost Efficiency
- Unified Messaging Solutions
- Innovative products and services
- Error- free service delivery

Board of Directors

The Board of Directors of the Company has an optimum mix of Executive and Non-Executive Directors, which consists of three Executive and fifteen Non-Executive Directors.

The Chairman and Managing Director, Mr. Sunil Bharti Mittal, is an Executive Director and the number of Independent Directors on the Board is 50% of the total Board strength. The independence of a Director is determined on the basis that such director does not have any material pecuniary relationship with the Company, its promoters or its management, which may affect the independence of the judgment of a Director.

The Board members possess requisite skills, experience and expertise required to take decisions, which are in the best interest of the Company.

The composition of the Board is as under:

- Sunil Bharti Mittal
- Rajan Bharti Mittal
- Akhil Gupta
- Rakesh Bharti Mittal

- Chua Sock Koong
- N. Kumar
- Kurt Hellstorm
- Donald Cameron
- Paul O'Sullivan
- Professor V.S. Raju
- Pulak Chandan Prasad
- Bashir Abdullah Currimjee
- Gavin Darby
- Syeda Imam
- Ajay Lal
- York Chye Chang
- Paul Donovan
- Arun Bharat Ram

BHARTI announces agreement with VODAFONE marking the entry of the World's Largest Telecom Operator into India

- Vodafone to invest approximately Rs. 6,700 crores (approx. USD 1.5 bn.) to acquire around 10% in Bharti Tele-Ventures Ltd.
- Bharti Enterprises, SingTel and Vodafone to take Bharti Tele-Ventures Ltd. to unassailable leadership position in India
- The **largest single foreign investment ever in the history of India**
- The largest investment in the Indian telecom sector
- Bharti establishes its supremacy in the Indian telecom market, having attracted Asia's best – SingTel, and now world's best – Vodafone.
- Bharti set to gain global leadership in the telecom sector
- Bharti Enterprises continues to hold shareholding and management control in Bharti Tele**-Ventures.**

Awards for the year 2006-202107

- Bharti airtel draws top honors at the mis asia it excellence awards 2006
- Bharti airtel among the top 10 best performing companies in the world according to businessweek it 100 list.
- Sunil bharti mittal is the "ceo of the year" at the frost and sullivan asia pacific awards 2006 and bharti airtel bags "wireless service provider of the year" and "competitve service provider of the year".
- Bharti tele-ventures is the "best indian carrier" at the telecom asia awards 2006.

AIRTEL's ENTERPRISE SERVICES

The company is a part of Bharti Enterprises, and is India's leading provider of telecommunications services. The businesses at Bharti Airtel have been structured into three individual strategic business units (SBU's) - mobile services, broadband & telephone services (B&T) & enterprise services. The mobile services group provides GSM mobile services across India in 23 telecom circles, while the B&T business group provides broadband & telephone services in 90 cities. The Enterprise services group has two sub-units - carriers (long distance services) and services to corporates. All these services are provided under the Airtel brand.

Services:

- Voice Services
- Mobile Services
- Satellite Services
- Managed Data and Internet Services
- Managed e-Data Services

AirTel launches VQE (Voice Quality Enhancer) for the first time in Kolkata.

Introducing VQE (Voice Quality Enhancer) for the first time in Kolkata. VQE is a revolutionary new system that spectrally reduces background noise. It eliminates acoustic echo, adjusts speech levels in both directions and does away with low or distorted speech so that every word of your's can be heard clearly, wherever you may be speaking from.

The VQE technology has been sourced from Tellabs of USA, world leaders in Voice Quality technology. Some of the prominent GSM operators using Tellabs solution in the world are SingTel, Bell South, Telstra, BT Cell etc. The Tellabs noise reduction technology removes high background noise from the wireless side of the call thus delivering near wireline clear call quality on mobile phones. The Tellabs 3000 series of voice-quality enhancement echo technology also eliminates the complexity of acoustic echo generated by digital mobiles and hands free kits.

AIRTEL SERVICES

AIRTEL NEWS

- Bharti Airtel inks USD 400 million network expansion contract with NOKIA
- Bharti Airtel limited: Q2 cash profit exceeds Rs. 1,600 crores, PBT crosses Rs. 1,000 crores.
- Bharti Airtel is amongst India's Most Admired Knowledge enterprises in 2006.
- Sunil Bharti Mittal receives 'The Honorary Fellowship' from IETE.
- Notice of postal ballot for seeking consent of the shareholders on scheme of amalgamation of Satcom Broadband Equipments Limited and Bharti Broadband Limited with Bharti Airtel Limited.
- Bharti Airtel to Observe Silent period from October 1, 2006.

PROMOTIONAL STRATEGY

After the liberalization of the Indian Telecom Sector in 1994, the Indian cellular market witnessed a surge in cellular services. By 2005, there were a total of 12 players in the market with the five major players being Bharti Tele-Ventures Limited (Bharti), Bharat Sanchar Nigam Limited (BSNL), Hutchinson-Essar limited (Hutch), Idea Cellular limited (Idea) and Reliance India Mobile (RIM) (Refer Exhibit I).

All the players except RIM offered services based on the Global System for Mobile (GSM) technology. RIM provided services based on Code Division Multiple Access (CDMA) technology as well as GSM.

As competition in the telecom arena intensified, service providers took new initiatives to woo customers. Prominent among these were - celebrity endorsements, loyalty rewards, discount coupons, business solutions and talk time schemes. The most important consumer segments in the cellular industry were the youth segment and the business class segment. The youth segment was the largest and fastest growing segment and was therefore targeted most heavily by cellular service providers.

Bharti Tele-Ventures adopted celebrity endorsement as its chief promotional strategy. By 2004 it emerged the unprecedented leader commanding the largest market share in the cellular service market. (Refer Exhibit II). Hutch implemented the celebrity endorsement strategy partially, relying primarily on its creative advertising for the promotion of its brand. BSNL, on the other hand, attracted the consumer through its low cost schemes. Being a state owned player, BSNL could cover rural areas, and this helped it increase its subscriber base. Reliance was another player that cashed on its innovative promotional strategies, which included celebrity endorsements and attractive talk time schemes. Idea, relied heavily on its creative media advertising sans celebrities.

CELEBRITY ENDORSEMENT STRATEGY

RAHMAN TUNE CROSSES AIRTEL'S EXCLUSIVITY BARRIER

Cellular service provider AirTel seems to have hit the right note with its new commercial starring musician A R Rahman. The commercial which is currently on air has a beat which also doubles up as a ringtone which is ostensibly available only to AirTel users. But the interesting part is that the ringtone is being flaunted not just by AirTel customers but by customers of rival service providers like BPL, Orange and Dolphin as well!

"We did expect the tune to catch up but this has really exceeded our expectations," admits Bharti Cellular's chief marketing officer (western region) Pratik Pota. Overall, he explains, it is a great advertising product for AirTel and works like a "walking, talking brand ambassador. The ringtone which is also the jingle for AirTel's TV commercial, is proving to be a potent advertising tool for the company. It is not very clear what this means for the other cellular operators. Cellular users have been "forwarding" the tune to one another, which according to Mr Pota, has given AirTel a chance to enter the "mind of the user" irrespective of which service he opts for.

“It gives the user a chance to go back to the AirTel product and acts as a strong reminder medium,” he explains. Marketing professionals like Samsika Marketing Consultants’ managing director Jagdeep Kapoor point to the usage of an “audio celebrity” as something that is significant.

“The normal practice is to opt for film stars and sportsmen rather than an audio personality” he says.

Rivals, though seemingly unfazed by the phenomenon, seem to be doing their own homework on this brand of advertising. While none of them commented on AirTel’s strategy and its impact on their own subscriber base, one advertising professional working with a rival service provider opines that the tune is “transient” and not likely to have any long term impact as a brand building tool.

Being the latest entrant in the Mumbai circle, AirTel has had to find ways of cutting through the clutter.

Says Mr Kapoor,” AirTel will have try to find ways to attract new customers and convert the existing ones.” Explaining that the usage of an audio celebrity was more “strategic than tactical”, he adds that non-AirTel users will have the AirTel “brand experience” inspite of not using the service.

While Mr Pota highlights the fact that the usage of the tune by other operators means **“free advertising” for AirTel** and the users having a positive disposition towards the product, the nature of reaction from competition remains unclear.

“Competition will not do well to adopt a knee jerk reaction and will have to come out with advertising that is well thought out” explains Mr Kapoor. He anticipates a situation where the new entrant (AirTel) will continue to be more aggressive.

COMPARATIVE INCOME STATEMENT OF TVS AS ON 31ST MARCH 2017

Particulars	2016	2017	Absolute change	Relative change
INCOME :				
Sales Turnover	4,061.58	4,820.60	759.02	0.18
Excise Duty	314.86	276.96	(37.90)	(0.12)
Net Sales	3,746.72	4,543.64	796.92	0.21
Other Income	74.81	141.46	66.65	0.89
Stock Adjustments	-53.70	3.40	57.10	(1.06)
Total Income	3,767.83	4,688.50	920.67	0.24
EXPENDITURE :				
Raw Materials	2,743.24	3,229.48	486.24	0.17
Power & Fuel Cost	55.49	63.03	7.54	0.13
Employee Cost	239.94	289.39	49.45	0.20
Other Manufacturing Expenses	76.02	95.25	19.23	0.25
Selling and Administration Expenses	437.63	616.64	179.01	0.40
Miscellaneous Expenses	93.93	147.36	53.43	0.56
Less: Pre-operative Expenses Capitalised	0.00	0.00	0.00	0
Total Expenditure	3,646.25	4,441.15	794.90	0.21
Operating Profit	121.58	247.35	125.77	1.03
Interest	78.63	89.31	10.68	0.13
Gross Profit	42.95	158.04	115.09	2.67
Depreciation	133.15	136.73	3.58	0.026
Profit Before Tax	-90.20	21.31	111.51	(1.23)
Tax	3.74	23.90	20.16	5.39
Fringe Benefit Tax	3.16	0.00	(3.16)	(1)
Deferred Tax	-33.90	-36.10	(2.20)	(0.064)
Net Profit before	-63.20	33.51	96.71	(1.53)

Minority Interest				
Minority Interest	0.00	0.00	0.00	0
Net Profit after Minority Interest	-63.20	33.52	96.72	(1.53)
Extraordinary Items	1.57	-1.46	(3.03)	(1.92)
Adjusted Net Profit	-64.77	34.98	99.75	(1.54)
Adjst. below Net Profit	0.05	-0.17	(0.22)	(4.4)
P & L Balance brought forward	-43.44	- 20186.05	(92.61)	2.13
Statutory Appropriations	0.00	0.00	0.00	0
Appropriations	29.46	90.94	61.48	2.08
P & L Balance carried down	- 20186.05	- 20203.64	(57.59)	0.42
Dividend	16.63	31.10	14.47	0.87
Preference Dividend	0.00	0.00	0.00	0
Equity Dividend (%)	70.00	131.00	61.00	0.87
EPS before Minority Interest (Unit Curr.)	0.00	1.21	1.21	0
EPS after Minority Interest (Unit Curr.)	0.00	1.21	1.21	0
Book Value (Unit Curr.)	26.95	26.11	(0.84)	(0.031)

INTERPRETATION: 2016-2017

1. Net sales of company are Rs. 4,543.64 Crores.
2. Gross profit obtained for the company is Rs. 158.04Crores.
3. Operating profit of the company is Rs. 247.35 Crores.
4. Net profit for the year 2016-2017 is Rs. 34.98 Crores.
5. Depreciation of the company is increased to Rs. 136.73 crores in the year 2017.

COMPARATIVE INCOME STATEMENT OF TVS AS ON 31ST MARCH 2018

Particulars	2017	2018	Absolute change	Relative change
INCOME :				
Sales Turnover	4,820.60	7,104.04	2,283.44	0.47
Excise Duty	276.96	561.06	284.10	1.02
Net Sales	4,543.64	6,542.98	1,999.34	0.44
Other Income	141.46	25.77	(115.69)	(0.81)
Stock Adjustments	3.40	143.27	139.87	41.13
Total Income	4,688.50	6,712.02	2,023.52	0.43
EXPENDITURE :				
Raw Materials	3,229.48	4,891.02	1,661.54	0.51
Power & Fuel Cost	63.03	85.85	22.82	0.36
Employee Cost	289.39	378.62	89.23	0.30
Other Manufacturing Expenses	95.25	114.77	19.52	0.20
Selling and Administration Expenses	616.64	633.02	16.38	0.026
Miscellaneous Expenses	147.36	225.89	78.53	0.53
Less: Pre-operative Expenses Capitalised	0.00	0.00	0.00	0
Total Expenditure	4,441.15	6,329.17	1,888.02	0.42
Operating Profit	247.35	382.85	135.50	0.54

Interest	89.31	70.77	(18.54)	(0.20)
Gross Profit	158.04	312.08	154.04	0.97
Depreciation	136.73	133.63	(3.10)	(0.022)
Profit Before Tax	21.31	178.45	157.14	7.37
Tax	23.90	74.66	50.76	2.12
Fringe Benefit Tax	0.00	0.00	0.00	0
Deferred Tax	-36.10	-24.15	11.95	(0.33)
Net Profit before Minority Interest	33.51	127.94	94.43	2.81
Minority Interest	0.00	0.00	0.00	0
Net Profit after Minority Interest	33.52	127.94	94.42	2.81
Extraordinary Items	-1.46	-3.59	(2.13)	1.45
Adjusted Net Profit	34.98	131.53	96.55	2.76
Adjst. below Net Profit	-0.17	2.96	3.13	(18.41)
P & L Balance brought forward	-20186.05	-20203.64	(57.59)	(0.42)
Statutory Appropriations	0.00	0.00	0.00	0
Appropriations	90.94	97.96	7.02	0.077
P & L Balance carried down	-20203.64	-20170.70	32.94	(0.17)
Dividend	31.10	54.49	23.39	0.75
Preference Dividend	0.00	0.00	0.00	0

Equity Dividend (%)	131.00	115.00	(16.00)	(0.12)
EPS before Minority Interest (Unit Curr.)	1.21	2.51	1.30	1.07
EPS after Minority Interest (Unit Curr.)	1.21	2.51	1.30	1.074
Book Value (Unit Curr.)	26.11	14.35	(11.76)	(0.45)

INTERPRETATION: 2017-2018

1. Net sales of company are Rs. 6,542.98 Crores.
2. Gross profit obtained for the company is Rs. 312.08 Crores.
3. Operating profit of the company is Rs. 382.85 Crores.
4. Net profit for the year 2017-2018 is Rs. 34.98 Crores.
5. Depreciation of the company is decreased to Rs. 133.63 crores in the year 2018.

COMPARATIVE INCOME STATEMENT OF TVS AS ON 31ST MARCH 2019

Particulars	**2018**	**2019**	**Absolute change**	**Relative change**
INCOME :				
Sales Turnover	7,104.04	8,053.14	949.10	0.13
Excise Duty	561.06	617.98	56.92	0.10
Net Sales	6,542.98	7,435.16	892.18	0.13
Other Income	25.77	14.40	(11.37)	(0.44)
Stock Adjustments	143.27	23.80	(119.47)	(0.83)
Total Income	6,712.02	7,473.36	761.34	0.11
EXPENDITURE :				

Raw Materials	4,891.02	5,426.34	535.32	0.10
Power & Fuel Cost	85.85	103.26	17.41	0.20
Employee Cost	378.62	430.46	51.84	0.13
Other Manufacturing Expenses	114.77	125.22	10.45	0.091
Selling and Administration Expenses	633.02	649.35	16.33	0.025
Miscellaneous Expenses	225.89	265.22	39.33	0.17
Less: Pre-operative Expenses Capitalised	0.00	0.00	0.00	0
Total Expenditure	6,329.17	6,999.85	670.68	0.10
Operating Profit	382.85	473.51	90.66	0.23
Interest	70.77	88.26	17.49	0.24
Gross Profit	312.08	385.25	73.17	0.23
Depreciation	133.63	158.29	24.66	0.18
Profit Before Tax	178.45	226.96	48.51	0.27
Tax	74.66	67.18	(7.48)	(0.10)
Fringe Benefit Tax	0.00	0.00	0.00	0
Deferred Tax	-24.15	27.45	51.60	(2.13)
Net Profit before Minority Interest	127.94	132.33	4.39	0.034
Minority Interest	0.00	-0.46	(0.46)	0
Net Profit after Minority Interest	127.94	132.56	4.62	0.036

Extraordinary Items	-3.59	0.31	3.90	(1.08)
Adjusted Net Profit	131.53	132.25	0.72	0.0054
Adjst. below Net Profit	2.96	-0.74	(3.70)	(1.25)
P & L Balance brought forward	-20203.64	-20170.70	32.94	(0.17)
Statutory Appropriations	0.00	0.00	0.00	0
Appropriations	97.96	99.39	1.43	0.014
P & L Balance carried down	-20170.70	-20178.27	32.43	(0.20)
Dividend	54.49	63.50	9.01	0.16
Preference Dividend	0.00	0.00	0.00	0
Equity Dividend (%)	115.00	134.00	19.00	0.16
EPS before Minority Interest (Unit Curr.)	2.51	2.57	0.06	0.023
EPS after Minority Interest (Unit Curr.)	2.51	2.57	0.06	0.023
Book Value (Unit Curr.)	14.35	15.20	0.85	0.059

INTERPRETATION: 2018-2019

1. Net sales of company are Rs. 7,435.16 Crores.
2. Gross profit obtained for the company is Rs. 385.25 Crores.
3. Operating profit of the company is Rs. 473.51 Crores.
4. Net profit for the year 2018-2019 is Rs. 132.25 Crores.
5. Depreciation of the company is increased to Rs. 158.29 crores in the year 2019.

COMPARATIVE INCOME STATEMENT OF TVS AS ON 31ST MARCH 2020

Particulars	2019	2020	Absolute change	Relative change
INCOME :				
Sales Turnover	8,053.14	8,114.50	61.36	0.0076
Excise Duty	617.98	708.28	90.30	0.14
Net Sales	7,435.16	7,406.22	(28.94)	(0.0038)
Other Income	14.40	130.38	115.98	(8.054)
Stock Adjustments	23.80	9.47	(14.33)	(0.60)
Total Income	7,473.36	7,546.07	72.71	0.0097
EXPENDITURE :				
Raw Materials	5,426.34	5,253.37	(172.97)	(0.031)
Power & Fuel Cost	103.26	105.44	2.18	0.021
Employee Cost	430.46	473.88	43.42	0.10
Other Manufacturing Expenses	125.22	125.07	(0.15)	(0.0012)
Selling and Administration Expenses	649.35	773.32	123.97	0.19
Miscellaneous Expenses	265.22	246.27	(18.95)	(0.071)
Less: Pre-operative Expenses Capitalized	0.00	0.00	0.00	0
Total Expenditure	6,999.85	6,977.35	(22.50)	(0.0032)
Operating Profit	473.51	568.72	95.21	0.20
Interest	88.26	103.41	15.15	0.17
Gross Profit	385.25	465.31	80.06	0.20
Depreciation	158.29	175.60	17.31	0.10
Profit Before Tax	226.96	289.71	62.75	0.27
Tax	67.18	64.62	(2.56)	(0.038)

Fringe Benefit Tax	0.00	0.00	0.00	0
Deferred Tax	27.45	26.74	(0.71)	(0.025)
Net Profit before Minority	132.33	198.35	66.02	0.49
Minority Interest	-0.46	0.96	1.42	(3.08)
Net Profit after Minority	132.56	197.72	65.16	0.49
Extraordinary Items	0.31	72.96	72.65	234.35
Adjusted Net Profit	132.25	124.76	(7.49)	(0.0566)
Adjst. below Net Profit	-0.74	1.55	2.29	(3.09)
P & L Balance brought forward	-20170.70	-20178.27	32.43	(0.20)
Statutory Appropriations	0.00	0.00	0.00	0
Appropriations	99.39	81.83	(17.56)	(0.17)
P & L Balance carried down	-20178.27	-14.83	117.44	(0.91)
Dividend	63.50	59.91	(3.59)	(0.056)
Preference Dividend	0.00	0.00	0.00	0
Equity Dividend (%)	134.00	126.00	(8.00)	(0.059)
EPS before Minority Interest (Unit Curr.)	2.57	3.99	1.42	0.55
EPS after Minority Interest (Unit Curr.)	2.57	3.97	1.40	0.54
Book Value (Unit Curr.)	15.20	18.91	3.71	0.244

INTERPRETATION: 2019-2020

1. Net sales of company are Rs. 7,406.22 Crores.
2. Gross profit obtained for the company is Rs. 465.31 Crores.
3. Operating profit of the company is Rs. 568.72 Crores.
4. Net profit for the year 2019-2020 is Rs. 124.76 Crores.
5. Depreciation of the company is increased to Rs. 175.60 crores in the year 2020.

COMPARATIVE INCOME STATEMENT OF TVS AS ON 31ST MARCH 2021

(in Crores.)

Particulars	2020	2021	Absolute change	Relative change
INCOME :				
Sales Turnover	3,735.57	4,061.58	326.01	0.087
Excise Duty	465.02	314.86	(150.16)	(0.322)
Net Sales	3,270.55	3,746.72	476.17	0.14
Other Income	98.25	74.81	(23.44)	(0.23)
Stock Adjustments	30.42	-53.70	(84.12)	(2.76)
Total Income	3,399.22	3,767.83	368.61	0.10
EXPENDITURE :				
Raw Materials	2,481.87	2,743.24	261.37	0.10
Power & Fuel Cost	49.34	55.49	6.15	0.12
Employee Cost	202.18	239.94	37.76	0.18
Other Manufacturing Expenses	73.28	76.02	2.74	0.037
Selling and Administration Expenses	415.27	437.63	22.36	0.053
Miscellaneous Expenses	104.16	93.93	(10.23)	(0.098)

Less: Pre-operative Expenses Capitalised	0.00	0.00	0.00	0
Total Expenditure	3,326.10	3,646.25	320.15	0.096
Operating Profit	73.12	121.58	48.46	0.66
Interest	15.16	78.63	63.47	4.18
Gross Profit	57.96	42.95	(15.01)	(0.25)
Depreciation	108.92	133.15	24.23	0.22
Profit Before Tax	-50.96	-90.20	(39.24)	0.77
Tax	3.67	3.74	0.07	0.019
Fringe Benefit Tax	4.22	3.16	(1.06)	(0.25)
Deferred Tax	-30.60	-33.90	(3.30)	0.10
Net Profit before Minority Interest	-28.25	-63.20	(34.95)	1.23
Minority Interest	0.00	0.00	0.00	0
Net Profit after Minority Interest	-28.25	-63.20	(34.95)	1.23
Extraordinary Items	29.91	1.57	(28.34)	(0.94)
Adjusted Net Profit	-58.16	-64.77	(6.61)	(0.11)
Adjst. below Net Profit	0.17	0.05	(0.12)	(0.70)
P & L Balance brought forward	14.10	-43.44	(57.54)	(4.08)
Statutory Appropriations	0.00	0.00	0.00	0
Appropriations	29.46	29.46	0.00	0
P & L Balance carried down	-43.44	-20186.05	(92.61)	2.13
Dividend	16.63	16.63	0.00	0
Preference Dividend	0.00	0.00	0.00	0
Equity Dividend (%)	70.00	70.00	0.00	0

EPS before Minority Interest (Unit Curr.)	0.00	0.00	0.00	0
EPS after Minority Interest (Unit Curr.)	0.00	0.00	0.00	0
Book Value (Unit Curr.)	31.66	26.95	(4.71)	(0.148)

INTERPRETATION: 2020-2021

1. Net sales of company are Rs. 4,061.58 Crores.
2. Gross profit obtained for the company is Rs. 42.95 Crores.
3. Operating profit of the company is Rs. 121.58 Crores.
4. Net profit for the year 2020-2021 is Rs. -63.20 Crores.
5. Depreciation of the company is increased to Rs. 133.15 crores in the year 2021.

FINDINGS

1. Net sales of company are Rs. 4,061.58 Crores.
2. Net profit for the year 2020-2021 is Rs. -63.20 Crores.
3. Depreciation of the company is increased to Rs. 136.73 crores in the year 2017.
4. Operating profit of the company is Rs. 247.35 Crores.
5. Gross profit obtained for the company is Rs. 312.08 Crores.
6. Net profit for the year 2017-2018 is Rs. 34.98 Crores.
7. Depreciation of the company is increased to Rs. 158.29 crores in the year 2019.
8. Net sales of company are Rs. 7,435.16 Crores.
9. Depreciation of the company is increased to Rs. 175.60 crores in the year 2020.
10. Gross profit obtained for the company is Rs. 465.31 Crores.

SUGGESTIONS

- Though the sales of the concern is increasing year after year. The profitability of the concern is not increasing proportionately. Firm should take effective steps like keep stability in capital turnover, fixed assets turnover and try to maintain return on investment.

- The company is not depending much on outsider’s fund which may affect its functioning. Company tries to effectively utilize outsider’s fund.

- The return on capital employed is unsatisfactory in almost all the years. Having regarded to the risk factor the rate of return is lower than the bank rate. Steps shall be taken to utilize the ideal fund to make the rate of return satisfactory.

- Creditor's management has to be properly done by the company. Steps should be taken so that the creditors are paid in time.

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A STUDY ON

CASHFLOW ANALYSIS ON VODAFONE IDEA KARIMNAGAR

STUDENT STUDY PROJECT SUBMITTED TO THE COMMISSIONER OF COLLEGIATE EDUCATION, Hyderabad

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INTRODUCTION

Financial management is that managerial activity which is concerned with the planning and controlling of the firm’s financial resources. As a separate activity or discipline it is of recent origin, it was the branch of economics till 1980. Still today it has no unique body of knowledge of its own, and it draws heavily on economics for its theoretical.

Financial management is that managerial activity which is concerned with planning and controlling of firms financial resources. Financial management is concerned with rising of CASH and their effective utilization keeping in view the overall objective of the firm financial management is one of the four important functional areas of the management. The major objective of any business field of a firm is to make a profit for its owners by producing goods or services for sale in the market. To reach the goal, the firm purchases the various factors of the production and produces the output in cell. The all process requires fund. Finance may be said in the circulatory system of economic body of the firm.

Financial management is that administrative area or set of administrative functions, while related the arrangement of each and credit so that the organization have the means to carryout is objectives as satisfactorily as possible. The central features is functional managements is its formulation of firm's strategy in determining the most effective use of the CASH, currently it the firm and is selected the most favourable sources of additional CASH that the firm will need in the near future.

Financial management is an application of general management principles to the area of functional decision making in the word of Weston and Brigham. Financial management is an area of financial decision making harmonizing the individual motives and enterprises goal. Financial management in the modern sense of the term can be broken down into major decisions as functions of finance.

DEFINITION:

"Financial Analysis is largely a study of relationship among the various financial factors in a business as disclosed by single set of statements and a study of the rend o these factors as shown I a series o statement"------------Johan Myer.

IMPORTANCE OF CASH FLOW STATEMENT

CASH flow analysis is an invaluable analytical tool for a financial manager or a creditor for evaluation of the employment of CASH by a firm and in determining the sources for such CASH. In addition to studying past flow by means of CASH-statement based upon forecasts. Such a statements provides an efficient method to the financial manager to asses the growth of the firm and it results in the financial needs, and to determined the best way to those need. In particular, CASH flow analysis is vary useful in planning intermediate and long term financing.

The traditional package of final accounts and statements through very significant statements as such a limited role to play in financial analysis. The balance sheet is a statement of assets and liabilities on particular date. Similarly the income statement will show in more detail only the profit or loss, change in owners equity arising during accounting period as result of the productive and commercial activities in that period. The main criticism against the balance sheet is that it is merely a static statement. In order to as creation such major financial transactions or movement of financial resources of CASH, the balance sheet of two periods shown in a separate statement. The statement is a variously known a “CASH Flow statements” . “Statement of sources and application of CASH” “Where got and Where gone statement” or simply “ CASH statements “.

CONCEPT OF CASH

Some defined the term CASH as cash and they concern themselves only with movements in cash accounts the statements showing the changes in cash balance is termed as cash flow statement. This is very narrow definition. Tough a record of cash inflows and cash outflows is valuable in it’s own way, it would however fall to throw light on many important changes involving the disposition of resources. At the other end there are those who view CASH in broader since as all assets to which the firms resources stand committed and all liabilities from where these resources are obtain. Net working capital denotes excess of current assets over current liabilities. The term “Working Capital “ if considered the most appropriate expression since the wealth of the enterprise continuously revolving throughout the various current assets is supplemented by current liabilities.

To conclude, CASH may be defined in different ways, depending up on the purpose of the analysis. Other definitions are possible, although the purpose the three described about are the most common by far viz.,

a) CASH mean cash.
b) CASH mean net working capital.
c) CASH mean all financial resources.

In the chapter, the term “CASH” has been used to mean net working capital.

CONCEPT OF FLOW

The term “flow” refers to change or transfer and therefore the flow of CASH means transfer of economic values from one asset to another form, one liability to another form one asset to a liability of vice versa, or a combination of these. But as per the working capital concept of the CASH, it means changes in working capital any increase or decrease in working capital. The change in CASH occur when changes occurring in non current assets and in non current liabilities. If any transaction results increase of CASH, it will be considered as a "source of CASH", for example, issue of shares for cash will be taken as a "source of CASH", as it will increase the cash(working capital). Similarly, a transaction, if it results in decrease of CASH, will be treated as and application of CASH, as it will be reduced the cash. Transactions that do not affect the working capital items would be treated as non fund transactions. And be excluded from CASH flow analysis. For example, purchase of machinery by issuing shares in a non fund transactions.

PRINCIPAL SOURCES OF CASH

- Issue of share and debentures.
- Long and medium-borrowings.
- Sale of fixed assets and long-term investments.
- CASH from operation and trading income.
- Non-trading income such as income from investment, gifts damage awarded in legal action etc,.

POSSIBLE USES OF CASH

Though there not numerous applications of CASH, the main categories are as follows:

- Redemption of share debentures
- Repayment of long and medium term loans.
- Purchase of fixed assets and long term-investments.
- CASH lost in operations or trading losses.
- Non-trading losses such as loss of cash by embezzlement fines ete,

CONCEPT OF CASH FLOW STATEMENT

CASH flow statement is a summary from that indicates changes in items of financial position between two different balance sheet dates showing clearly the different sources and application of CASH. The major purpose of the CASH statements is to provide a detailed presentation to the results of financial management as distinguished from operating management. It summarizes the financing and investing activities of the enterprises. The statements shows directly information that readers of the financial reports could other wise obtained only by making an finance and interpretation of published balance sheets and statement of income and retained earnings.

Balance sheet are statements of financial position. Whereas CASH statement are obviously statement of “Changes “ in financial position. Balance sheets show the status on a day. In contrast, CASH statement income statement and statement of retained earning over period of time they provided the explanation of why the balance sheet items have changed. The conventional financial statement shows mostly the position of accounting, rather than the financial condition of the business in terms of flow of CASH. However, since all financial events are reflected in the conventional statements, it becomes easy to unearth unusual trends and promotion by the use of analytical methods like the CASH flow statement.

USES OF CASH FLOW STATEMENT

By highlighting the change in the distribution of the resources of an undertaking the CASH flow statement enables the financial manager to have a clear prospective of the organization financial strength and weakness. it provides answers to a number of different questions. The uses of a CASH flow statement may be listed as follows.

First, it explains the financial consequences of business of operation. For example, a business may be earnings use profits but it’s liquidity positions would be highly unsatisfactory. The CASH flow statement will explain the causes of such a seemingly in recognizable situation by showing what as become flow of CASH to activities considered more beneficial for the efficient working of the enterprise and which is vary essential for the effective managerial control. When balance sheet presents distorted picture of an understanding because of a number of non-fund transaction the fund statement would be an illuminating document. Secondly, debt capital is very essential for increase profitability to any enterprise. but the creditor or lender asks the financial manager a number of question in order to ascertain the credit worthiness and the CASH generating capacity of the organization. Also they would like to know in what way the management has utilized.

The CASH in the past and how the CASH would be utilized in future. The CASH flow statement by providing the required the information of dues would enables the financial manager to answer such in a benefit manner. Thirdly, it acts has an instrument for allocation of the companies secure resources. A proposal CASH flow statement will help to find out how the management is going to allocate resources for meeting the future productive programs of the business. When a predicated statement is tied to the capital budget, it will help manager to maintain the financial health of the organization. Further problems faced by the firm do not arise all of a sudden.

They take time to reach a critical stage and are affected by a number of factors. A protected CASH flow statements by providing a perspective for considering the financial implication of evolving issues would help management to reserve a un favorite trend.

Lastly, it is test for evaluation of the effectiveness use of working capital of management. Information on the adequacy of working capital will enable the management to decide what possible steps it's should take for effective use of surplus working capital or in case of in adequate working capital to make suitable arrangements.

LIMITATIONS OF THE CASH FLOW STATEMENTS

Despite it's multiple managerial uses, the CASH flow statements suffers from certain limitations:

a) As this statement ignores non-fund items, becomes a crud device compare to the income statement and balance sheet.
b) The statement does not reveal shifts among the items making up the current assets and current liabilities. It does not tell weather any loss of working capital has un duly we can the financial position. Only an examination of the balance sheet at the end of the period will show the under effect of the changes .therefore the CASH flow statement can't

supplant but only supplement conventional financial statement either in whole or in part.

c) The information used for the preparation of the CASH flow statement is essential historical in nature though attempts are made to protect the CASH statement for the future period.

Despite these limitations the information supplied by the CASH flow statement is really in valuable and the management in planning capital expenditure, devising dividend and other financial policies etc., taken in conjunction with ratio analysis provides a rich source of information regarding possible managerial uses.

- Sources –application = increase in working capital.
- Application –sources = decrease in working capital.

NEED FOR THE STUDY

Cash management is a key for interpretation of financial statements. It is also significant because cash Flow helps the analysis to have a deep feed in to the date in the statements are neither significant nor able to be compared since they are basically dumb. Cash management analysis is used to diagnose the financial health of the concern in knowing the position of the concern vital, strong, weak and good. Generally Cash management analysis represents the figures containing the condensed report of the position, development and problems of the concern. This also facilitates the work of gaining the financial health of the concern. Totally, the Cash flow analysis is used as a tool for financial analysis and interpretation.

OBJECTIVES OF THE STUDY

The following objectives have been formulated to make in the study

1. To access the working capital position of the company.
2. To identify sources and uses of the cash of the company.
3. To examine the sources and applications of the cash through cash basis.
4. To offer suggestions for improvement of financial positions of the above said organization.
5. To evaluate the reason for changes in the working capital of the company.

6. To evaluate about the reasons for success or failure of the organization.

RESEARCH METHODOLOGY

Methodology describes the method of achieving objectives through collection of data. The data collected can be primary or secondary.

The above information is carried on with the co-operation of the management of the Vodafone Idea who permitted me to carry on the study by providing the requisite data.

PRIMARY DATA:

Most of the information is collected from internal interviews and discussions with the various officials in the finance department and concerned executive of the other departments.

SECONDARY DATA:

The rest of the data is collected from the financial statements and the information brouchers of the origination. Also data is collected from various published articles and published annual reports of the Vodafone Idea.

PERIOD OF THE STUDY:

This study is restricted to 5 years from 2016 to 2021. For this study of a various items of the financial statements published in annual reports have been considered for drawing calculations.

LIMITATIONS OF THE STUDY

1. The report of "cash management" in Vodafone Idea., was done from past balance sheet, financial statement etc., as their Steel Industry is one if the diversified activities of the whole Vodafone Idea., being a division by its nature, it maintains all records and operations relating to their units only.

2. The accounting system is such that the registered office account is maintained in this factory and all the financial operations are carried on either debiting or crediting the Registered Office Account.

3. The Vodafone Idea Ltd., registered office provides working capital every year according to the requirements are largely influenced by availability of materials, duration in the payment to the supplies of material and wages to the employees recruited during the production season.

4. In addition to that the factory raises cash from financial institutions and commercial banks by hypothecating material on behalf of the Vodafone Idea Ltd. These amounts are used to supplement working capital provided by registered office in manufacturing material during the season.

5. In the light of the above facts, it is not possible for an analyst to prepare the accurate cash flow statement indicating the financial position of the company.

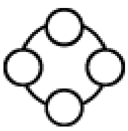
COMPANY PROFILE

Vodafone Idea Limited is an Aditya Birla Group and Vodafone Group partnership. The Company provides pan India Voice and Data services across 2G, 3G and 4G platform. With the large spectrum portfolio to support the growing demand for data and voice, the company is committed to deliver delightful customer experiences and contribute towards creating a truly 'Digital India' by enabling millions of citizens to connect and build a better tomorrow. The Company is developing infrastructure to introduce newer and smarter technologies, making both retail and enterprise customers future ready with innovative offerings, conveniently accessible through an ecosystem of digital channels as well as extensive on-ground presence. The Company is listed on National Stock Exchange (NSE) and BSE in India.

Our Mission

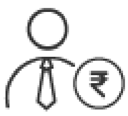
Customers

Be the most loved brand by continuously raising the bar in delivering simple, delightful experience and meaningful innovations, through new age technologies



Team

Be an inspirational, agile and exciting organisation that challenges the status quo, and champions a diverse team that has a winning attitude and thrives on delivering customer excellence



Shareholders

Be the most valued company through smart leadership committed to delivering sustainable growth, while adhering to the highest standards of governance and compliance

Community

Be the most respected company by leveraging technology and purposeful innovation to catalyze social prosperity, digital literacy and inclusivity

Our Values

Our values embody the spirit of our brand. They serve as the guiding principles for our every thought and action

Speed

We act with SPEED. Always. Procrastination is our enemy

Digital

We choose to be DIGITAL - FIRST, to make things simple for ourselves and our customers

Trust

We are straightforward and open in all that we do, to build a culture that fosters TRUST

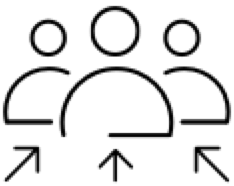
Bold

We always adopt a BOLD outlook and are not afraid of failure

Passion

We act with PASSION for our brand and our customers

Our Offerings

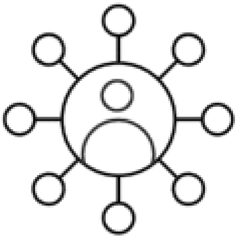


Consumer

Welcome to the world of Vodafone Idea Limited, where our millions of customers are at the heart of everything that we do.

We use the power of technology to enhance our customers' lives – through ubiquitous presence and connectivity through our PAN India urban and rural coverage, a continuously expanding 4G LTE network, integrated worry free propositions and some of the best entertainment on mobile – all packaged into a completely unmatched customer experience.

Our innovative and truly differentiated offerings – be it our Prepaid Unlimited propositions, RED Postpaid plans, Truly Unlimited International Roaming products and many others - reflect the passion with which we aim to serve our customers, always!



Enterprise

Vodafone Idea Business Services is committed to being the most trusted and valued partner helping businesses succeed in a digital world. Our Total Communications solutions empower global and Indian corporations, public sector & government bodies, small & medium enterprises and start-ups.

From market-leading Enterprise Mobility, robust Connectivity and world-class IoT Solutions, to superior Business Communication & Cloud and insightful Business Analytics & Enabling Solutions, we bring the smartest and newest technologies to serve businesses in the digital era.

Our global expertise and deep local knowledge makes us the preferred digital enablement partner of enterprises across India. No matter which sector you operate in and regardless of your size and scale, business is better when we are together.

INTRODUCTION

A) MEANING OF CASH

The term "CASH" has a variety of meanings. There are people who take it synonymous to cash and to them there is no difference between a CASH Flow Statement and a cash Flow Statement. While others include marketable securities besides cash in the definition of the term CASH. The International Accounting Standard No. 7 on statement of changes in financial position also recognizes the absence of single, generally accepted definition of term. According to the standard, "The term fund refers to cash and cash equivalents or to working capital".

These statements can be classified into four :

- Income statement

- CASH Flow Statement
- Statement of Changes in Financial Position
- Cash Flow Statements

1. INCOME STATEMENT

As already indicated in an earlier chapter as an income statement measures the inflow of assets resulting from rendering of goods or service customers over a period of time.

2. CASH FLOW STATEMENT

This statement measures the inflows and the outflows of working capital that result from any type of business activity.

3. STATEMENT OF CHANGES IN FINANCIAL POSITION

This statement has a wider meaning than CASH flow statement. It measures changes both in working capital and non–working capital.

4. FUNDS CASH FLOW STATEMENTS

The statement measures inflows and the outflows of cash on account of type of business activity.

CURRENT ASSETS

The term Current Assets" includes cash and other asserts that are expect to be converted into cash or consumed in production of goods or rendering of services in the normal course of business. However, the best definitions of the term " Current Assets" has been given by gray in the following words. For accounting purpose, the term "Current Assets" is used to designate cash and other assts or resources commonly identified as those, which are reasonable, expected to be realized in cash or sold consumed during the normal Operating cycle of the business.

The Broad categories of "Current Assets " are:

- Cash including fixed deposits with banks
- Accounts receivable, Trade debts and bills receivable.

- Inventory stock of raw material, work- in –progress, finished goods, stores and spare parts.
- Advances recoverable the advances given to suppliers of goods and services or deposit with government or other public authorities, custom, part authorities, advance income tax.
- Pre-paid expenses, cost of unexplored services, insurance premium paid in advance.

CURRENT LIABILITIES

The term “Current Liabilities” is used principally to designated such obligation whose liquidation is reasonable expected to require the use of assets classified as current assets in the same balance sheet or the creation of other current liabilities or those expected to be satisfied with in a relatively short period of time usually one year. However, this concept of current liabilities as all obligation that will require with in the coming year of the operating cycle which ever is longer. The use does existing current assets

The creation of the current liabilities. In other words, the more fact that an amount is due within a year does not make it a current liabilities. For example, debenture due for redemption with in a year of the balance sheet date will not be taken as a current liabilities of they are to be paid out of the proceeds realized on account of Sale of debentures redemption fund investments. The term current liabilities also includes amounts sea part or provided for any know liability or which the amount can’t be determined with substantial accuracy called provision rather than liabilities.

The Broad Categories of “Current Liabilities” are:

- Accounts payable, bills payable and trade creditors.
- Outstanding expenses, expenses for with services have been received by the payment have not been made.
- Bank overdrafts.
- Short-Term loans, loans from banks which are payable with in one year from the date of balance sheet.
- Advance payments received by the business for the services to be rendered or goods to be supplies in future.

- Current majorities of long-time loans, long-term debts due with in a year of those loans. Provided payable out of existing current assets or by creation of current liabilities as discussed earlier. However , installment of long-term loans due after a year should be taken as non-current liabilities.

NON CURRENT ASSETS

All assets other than current assets come with in the categories of non-current assets. Such assets include goodwill, land and building, plant and machinery, furniture, long-time investments , patent rights trade marks, debit balances of the profit and loss account, discount on issue of shares and debentures, preliminary expenses etc.,

NON-CURRENT LIABILITIES

All liabilities other than current liabilities come with in the category of non-current liabilities. They include share capital, long term loans, debentures and share premium, credit balances of the profit and loss account, revenue and capital reserves.

PROFORMA OF A CASH FLOW STATEMENT

(Statement of sources and applications of CASH)

Sources	**Rs**	**Applications**	**Rs**
Income from business operations(profit)	xxx	Income from business operation(loss)	xxx
Issue of shares at par (discount /premium)	xxx	Redemption of shares at par (discount /premium)	xxx
Issues of debentures at par (discount /premium)	xxx	Redemption of debentures at Par (discount /premium)	xxx
Long term and medium loans taken	xxx	Payment of loans	xxx

Sale of investments	xxx	Purchase of investments	xxx
Non- trading income	xxx	Non-trading payment	xxx
Sale of fixed assets	xxx	Dividend paid	xxx
Total	**xxx**	**Total**	**xxx**

PROFORMA OF STATEMENTS OF CHANGES IN WORKING CAPITAL

Particulars	Previous Year	Current Year	Effect of change in Working Capital	
			Increase	Decrease
CURRENT ASSETS	xxx	xxx		
Cash	xxx	xxx		
Bank	xxx	xxx		
Bills receivables	xxx	xxx		
Debtors	xxx	xxx		
Start	Xxx	xxx		
Prepaid expenses				
	Xxx	xxx		

TOTAL(A)				
CURRENT LIABILITIES	xxx	xxx		
	xxx	xxx		
Bills payable	xxx	xxx		
Bank over draft	xxx	xxx		
Creditors	xxx	xxx		
Provision for income tax				
Outstanding expenses	Xxx	xxx		
TOTAL(B)				
NETWORKING CAPITAL				
(A-B)	xxx	xxx		
Increase/decrease in working capital	Xxx	xxx		
TOTAL	Xxx	xxx		

CASH FLOW STATEMENT AS ON 31ST MARCH 2016

Particulars	Amount Rs. In Crores
A) Cash Flow from Operating Activities	
Net Profit after Tax	10,536.55
Adjustments For:	
Depreciation	13,666.07
Amortisation of Intangible Assets	1,845.90
Surplus on Prepayment of Loan	(316.94)
Interest and Financing Charges	5,558.36

Profit on Sale of Current Investment	(878.71)
Provision for Bad & Doubtful Debts/Advances	472.89
Employee Stock Option Cost	282.91
Provision for Gratuity, Leave Encashment	73.86
Provision for Deferred Tax	1,150.77
Provision for Current Tax (Net of MAT Credit entitlement)	-
Liability no longer required written back	(744.34)
Interest Income	(2,318.19)
(Profit) / Loss on sale of Fixed Assets / Assets Discarded	30.87
Operating Profit Before Working Capital Changes	29,360.00
Adjustments for changes in Working Capital	
(Increase)/Decrease in Sundry Debtors	(889.46)
(Increase)/Decrease in Inventories	1.04
(Increase)/Decrease in Other Current Assets	(148.73)
(Increase)/Decrease in Loans and Advances	(7,708.77)
Increase /(Decrease) in Current Liabilities	1,243.92
Cash Generated from Operations	21,858.00
Tax Paid (including FBT & TDS)	(2,006.65)
Net Cash from Operating Activities	19,851.35
B) Cash Flow from Investing Activities	
Purchase of Fixed Assets & Intangible Assets	(33,843.20)
Proceeds from Sale of Fixed Assets	83.09
Additional Investment in Commerce	-
Sale/ (Purchase) of Other Investments	10,148.70

Interest Received	2,651.99
Net Cash from / (used in) Investing Activities	(20,959.42)
C) Cash Flow from Financing Activities	
Proceeds from Issue of Share Capital	23.41
Proceeds from Long Term Borrowings	3,794.02
Repayment of Long Term Borrowings	(7,199.14)
Proceeds from Short Term Loan	-
Repayment of Short Term Loan	(15,000.00)
Interest Paid	(6,923.99)
Net Cash from / (used in) Financing Activities	(25,305.70)
Net Increase / (Decrease) in Cash and Cash Equivalent	(26,413.77)
Cash and Cash Equivalent at the Beginning	23,444.29
Add: Cash and Cash Equivalents Acquired on Merger	5,507.49
Add: Cash and Cash Equivalents Acquired on Merger of	266.40
Cash and Cash Equivalent at the end	2,804.41

INTERPRETATION:

- Net Profit after Tax is Rs. 10,536.55
- Operating Profit Before Working Capital Changes is Rs. 29,360.00
- Cash Generated from Operations in Rs. 21,858.00
- Net Cash from Operating Activities is Rs. 19,851.35
- Net Cash used in Investing Activities is Rs. 20,959.42
- Net Cash used in Financing Activities is Rs. 25,305.70
- Net Decrease in Cash and Cash Equivalent in Rs. 26,413.77

CASH FLOW STATEMENT AS ON 31ST MARCH 2017

Particulars	Amount Rs. In Crores
A) Cash Flow from Operating Activities	
Net Profit after Tax	**8,445.97**
Adjustments For:	
Depreciation	17,229.95
Amortisation of Intangible Assets	2,500.15
Surplus on Prepayment of Loan	-
Interest and Financing Charges	3,664.54
Profit on Sale of Current Investment	(448.03)
Provision for Bad & Doubtful Debts/Advances	444.41
Employee Stock Option Cost	150.34
Provision for Gratuity, Leave Encashment	218.53
Provision for Deferred Tax	613.79
Provision for Current Tax (Net of MAT Credit entitlement)	3.45
Liability no longer required written back	(474.55)
Interest Income	(652.65)
(Profit) / Loss on sale of Fixed Assets / Assets Discarded	172.30
Operating Profit Before Working Capital Changes	31,868.20
Adjustments for changes in Working Capital	
(Increase)/Decrease in Sundry Debtors	(757.70)
(Increase)/Decrease in Inventories	(55.17)
(Increase)/Decrease in Other Current Assets	10.69
(Increase)/Decrease in Loans and Advances	9,425.64
Increase /(Decrease) in Current Liabilities	6,716.57

Cash Generated from Operations	47,208.23
Tax Paid (including FBT & TDS)	(2,201.25)
Net Cash from Operating Activities	45,006.98
B) Cash Flow from Investing Activities	
Purchase of Fixed Assets & Intangible Assets	(80,179.90)
Proceeds from Sale of Fixed Assets	319.83
Additional Investment in Commerce	(0.50)
Sale/ (Purchase) of Other Investments	2,271.72
Interest Received	1,144.50
Net Cash from / (used in) Investing Activities	(76,444.35)
C) Cash Flow from Financing Activities	
Proceeds from Issue of Share Capital	138.36
Proceeds from Long Term Borrowings	37,924.27
Repayment of Long Term Borrowings	(13,919.91)
Proceeds from Short Term Loan	28,696.33
Repayment of Short Term Loan	(11,959.00)
Interest Paid	(7,731.74)
Net Cash from / (used in) Financing Activities	33,148.31
Net Increase / (Decrease) in Cash and Cash Equivalent	1,710.94
Cash and Cash Equivalent at the Beginning	**2,804.41**
Add: Cash and Cash Equivalents Acquired on Merger	-
Add: Cash and Cash Equivalents Acquired on Merger of	-
Cash and Cash Equivalent at the end	**4,515.35**

INTERPRETATION:

- Net Profit after Tax is 8,445.97
- Company operating Profit Before Working Capital Changes 31,868.20
- Net Cash from Operating Activities of the company is 45,006.98
- Net Cash used in Investing Activities is Rs. 76,444.35
- Net Cash from Financing Activities is Rs. 33,148.31
- Cash and Cash Equivalent at the end of the company is 4,515.35

CASH FLOW STATEMENT AS ON 31ST MARCH 2018

Particulars	Amount Rs. In Crores
A) Cash Flow from Operating Activities	
Net Profit after Tax	5,765.38
Adjustments for	
Depreciation	20,194.55
Amortisation of Intangible Assets	5,433.16
Interest and Financing Charges	8,935.81
Profit on sale of Mutual Funds	(246.39)
Provision for Bad & Doubtful Debts/Advances	519.36
Employee Stock Option Cost	35.88
Provision for Gratuity, Leave Encashment	161.18
Provision for Deferred Tax	2,657.24
Liabilities / Provisions no longer required written back	(398.84)
Interest Income	(104.41)
Loss/(gain) on sale of Fixed Assets/Assets disposed off	(30.69)
Operating Profit before Working Capital Changes	**42,922.23**
Adjustments for changes in Working Capital	
(Increase)/Decrease in Trade Receivables	(3,247.41)

(Increase)/Decrease in Inventories	(7.23)
(Increase)/Decrease in Other Current and Non Current Assets	(2.39)
(Increase)/Decrease in Long Term and Short Term Loans	(12,464.66)
Increase/(Decrease) in Trade Payables, Other Current and	6,734.47
Cash generated from Operations	**33,935.01**
Tax paid (including TDS) (net)	(3,384.90)
Net Cash from/(used in) Operating Activities	**30,550.11**
B) Cash Flow from Investing Activities	
Purchase of Fixed assets & Intangible assets	(44,056.72)
Proceeds from sale of Fixed assets	52.07
Additional Investment in Commerce	-
Profit on sale of Current Investments and Interest received	341.20
Net Cash from/(used in) Investing Activities	**(43,663.45)**
C) Cash Flow from Financing Activities	
Proceeds from issue of Equity Share Capital	237.10
Proceeds from Long Term Borrowings*	38,322.59
Repayment of Long Term Borrowings	(26,585.21)
Proceeds from Short Term Borrowings	39,809.37
Repayment of Short Term Borrowings	(41,482.99)
Payment of Interest and Financing Charges	(9,723.36)
Net Cash from / (used in) Financing Activities	**577.50**
Net Increase / (Decrease) in Cash and Cash Equivalents	**(12,535.84)**
Cash and Cash Equivalents at the beginning	**13,836.11**
Cash and Cash Equivalents at the end	**1,300.27**

INTERPETATION:

- Net Profit after Tax is 5,765.38
- Net Cash from Operating Activities is 30,550.11
- Net Cash used in Investing Activities is 43,663.45
- Net Cash from Financing Activities is 577.50
- Cash and Cash Equivalents at the end of the company is 1,300.27

CASH FLOW STATEMENT AS ON 31ST MARCH 2019

Particulars	Amount Rs. In Crores
A) Cash Flow from Operating Activities	
Net Profit after Tax	**8,182.59**
Adjustments for	
Depreciation	25,383.58
Amortisation of Intangible Assets	5,159.99
Interest and Financing Charges	8,649.91
Profit on sale of Mutual Funds	(574.72)
Provision for Bad & Doubtful Debts/Advances	795.10
Employee Stock Option Cost	0.32
Provision for Gratuity, Leave Encashment	661.11
Provision for Deferred Tax	4,703.79
Liabilities / Provisions no longer required written back	(360.00)
Interest Income	(125.87)
Loss/(gain) on sale of Fixed Assets/Assets disposed off	65.61
Operating Profit before Working Capital Changes	**52,541.41**
Adjustments for changes in Working Capital	
(Increase)/Decrease in Trade Receivables	(1,876.35)
(Increase)/Decrease in Inventories	(15.71)

(Increase)/Decrease in Other Current and Non Current Assets	(3.47)
(Increase)/Decrease in Long Term and Short Term Loans	3,605.57
Increase/(Decrease) in Trade Payables, Other Current and	6,666.77
Cash generated from Operations	**60,918.22**
Tax paid (including TDS) (net)	(3,835.17)
Net Cash from/(used in) Operating Activities	**57,083.05**
B) Cash Flow from Investing Activities	
Purchase of Fixed assets & Intangible assets	(31,886.90)
Payment towards Spectrum and Licenses*	(213.22)
Proceeds from sale of Fixed assets	140.18
Additional Investment in Commerce	(9.00)
Profit on sale of Current Investments and Interest received	709.83
Net Cash from/(used in) Investing Activities	**(31,259.11)**
C) Cash Flow from Financing Activities	
Proceeds from issue of Equity Share Capital	248.20
Proceeds from Long Term Borrowings*	24,074.24
Repayment of Long Term Borrowings	(24,773.81)
Proceeds from Short Term Borrowings	13,455.19
Repayment of Short Term Borrowings	(21,664.95)
Payment of Interest and Financing Charges	(8,054.82)
Net Cash from / (used in) Financing Activities	**(16,715.95)**
Net Increase / (Decrease) in Cash and Cash Equivalents	**9,107.99**
Cash and Cash Equivalents at the beginning	**1,300.27**
Cash and Cash Equivalents at the end	**10,408.26**

INTERPRETATION:

- Net Profit after Tax is Rs. 8,182.59
- Company Operating Profit before Working Capital Changes Rs. 52,541.41
- Net Cash from Operating Activities is Rs. 57,083.05
- Net Cash used in Investing Activities is Rs. 31,259.11
- Net Cash used in Financing Activities is Rs. 16,715.95
- Cash and Cash Equivalents of the company at the end is 10,408.26

CASH FLOW STATEMENT FOR THE YEAR ENDED MARCH 31, 2020

PARTICULARS	**AMOUNT**
A) CASH FLOW FROM OPERATING ACTIVITIES	
Net Profit after Tax	16,893.06
Adjustments For Depreciation	34,622.71
Amortisation of Intangible Assets	6,309.73
Interest and Financing Charges	8,111.14
Profit on sale of Current Investments	(1,225.52)
Bad Debts/Advances written off	1,152.28
Provision for Bad & Doubtful Debts/Advances	(127.33)
Employee Stock Option Cost	43.07
Provision for Gratuity, Leave Encashment	165.41
Provision for Deferred Tax	5,079.31
Provision for Current Tax (Net of MAT Credit entitlement)	4,080.44
Liabilities/Provisions no longer required written back	(589.11)
Interest Income	(1,014.06)
Loss/(Gain) on sale of Fixed Assets/Assets disposed off	18.24
	56,626.31
Operating Profit before Working Capital Changes	73,519.37

Adjustments for changes in Working Capital	
(Increase)/Decrease in Trade Receivables	434.95
(Increase)/Decrease in Inventories	57.72
(Increase)/Decrease in Other Current and Non Current Assets	(442.41)
(Increase)/Decrease in Long Term and Short Term Loans and Advances	1,187.80
Increase/(Decrease) in Trade Payables, Other Current and Non Current Liabilities and Provisions	5,892.76
	7,130.82
CASH GENERATED FROM OPERATIONS	**80,650.19**
Tax paid (including TDS) (Net)	(5,338.97)
NET CASH FROM/(USED IN) OPERATING ACTIVITIES	**75,311.22**
B) Cash Flow from Investing Activities	
Purchase of Fixed assets & Intangible assets (including CWIP)	(33,890.48)
Payment towards Spectrum and Licenses*	(31,436.07)
Proceeds from sale of Fixed assets	147.70
Additional Investment in Commerce Services Limited	(35.00)
Profit on sale of Current Investments and Interest received	2,213.37
NET CASH FROM/(USED IN) INVESTING ACTIVITIES	**(63,000.48)**
C) CASH FLOW FROM FINANCING ACTIVITIES	
Proceeds from issue of Equity Share Capital	262.75
Proceeds from Long Term Borrowings*	2,865.34
Repayment of Long Term Borrowings	(19,353.24)
Proceeds from Short Term Borrowings	6,905.62
Repayment of Short Term Borrowings	(5,068.60)
Payment of Dividend, including Dividend Tax	(1,163.48)

Payment of Interest and Financing Charges	(6,259.58)
NET CASH FROM/(USED IN) FINANCING ACTIVITIES	**(21,811.19)**
Net Increase/(Decrease) in Cash and Cash Equivalents	(9,500.45)
Cash and Cash Equivalents at the Beginning	10,408.26
Cash and Cash Equivalents at the End	907.81

INTERPRETATION:

- Net profit after tax Rs. 16,893.06
- Operating profit before working capital changes Rs. 73,519.37
- Net cash from/(used in) operating activities Rs. 75,311.22
- Net cash from/(used in) investing activities Rs. (63,000.48)
- Net cash from/(used in) financing activities Rs. (21,811.19)

CASH FLOW STATEMENT AS ON 31ST MARCH 2021

Particulars	Amount Rs. In Crores
A) Cash Flow from Operating Activities	
Net profit after tax	10,012.11
Adjustments for:	
Depreciation	10,967.22
Amortisation of Intangible assets	1,461.34
Surplus on prepayment of loan	-
Interest and financing charges	8,483.78
Profit on sale of current investment	(2,227.48)
Provision for bad & doubtful debts/advances	331.59
Employee stock option cost	144.74

Provision for gratuity, leave encashment	169.76
Provision for fringe benefit tax	93.00
Provision for deferred tax	763.53
Liability no longer required written back	(156.78)
Interest income	(2,330.36)
(Profit)/loss on sale of fixed assets/assets discarded	17.57
	18,823.45
Operating profit before working capital changes	27,730.02
Changes in Current Assets and Current Liabilities	
(Increase)/decrease in sundry debtors	(1,641.53)
(Increase)/decrease in inventories	(151.14)
(Increase)/decrease in other current assets	(46.90)
(Increase)/decrease in loans and advances	(10,173.64)
Increase /(decrease) in current liabilities	4,221.45
Cash generated from operations	19,938.26
Tax paid (including FBT & TDS)	(1,300.86)
Net cash from operating activities	18,637.40
B) Cash Flow from Investing Activities	
Purchase of fixed assets & intangible assets (including CWIP)	(47,744.67)
Proceeds from sale of fixed assets	197.23
Payment for Non Compete Fee	(5,439.75)
Payment for purchase of shares of Spice Communications Limited	(22,041.87)
Sale/ (purchase) of other investments	(3,091.66)
Interest and dividend received	1,567.08

Net cash from/(used in) investing activities	(76,553.64)
C) Cash Flow from Financing Activities	
Proceeds from issue of Share Capital	72,944.74
Share Issue Expenses	(177.94)
Proceeds from long term borrowings	7,504.42
Repayment of long term borrowings	(3,012.45)
Proceeds from short term loan	40,952.10
Repayment of short term loan	(34,798.00)
Interest paid	(7,022.89)
Net cash from/(used in) financing activities	76,389.98
Net increase/(decrease) in cash and cash equivalent	18,473.74
Cash and cash equivalent at the beginning	4,970.55
Add: Cash and cash equivalents acquired on merger of telecom business of ABTL	-
Add: Cash and cash equivalents acquired on merger of Spice Communications Ltd.	-
Cash and cash equivalent at the end	23,444.29

INTERPRETATION:

- Net profit after tax of the company is 10,012.11
- Operating profit of Vodafone Idea before working capital changes is Rs. 27,730.02 Crs
- Cash received from operating activities is 18,637.40
- cash used in investing activities is 76,553.64
- Net cash from financing activities is 76,389.98
- Net increase in cash and cash equivalent is 18,473.74

FINDINGS

1. Net profit before tax in the year 2020 is 10,012.11.
2. Net profit before tax in the year 2016 is 10,536.55.
3. Operating profit for the year 2020 is Rs. 27,730.02 Crs, it is increased to 29,360.00 in the year 2021, it is increased in the year 2017, 2018 & 2019.
4. Cash received from operating activities in the year 2020 is 18,637.40, it is increased to 45,006.98in the year 2021. It is decreased in the 2017 i.e., 19,851.35 but again increased to 57,083.05 in the year 2019.
5. In the year 2020 Cash used in investing activities is 76,553.64, it is increased in the year 2017 i.e., 76,444.35 and it decreased to 43,663.45 in the year 2018 and 31,259.11 in the year 2019.
6. Net increase in cash and cash equivalent in the year 2021 is 18,473.74, it is decreased to 4,515.35in the year 2017. But in the year 2019 it is 10,408.26 increased.
7. Cash from financing activities in the year 2021 is 76,389.98, it is decreased to 33,148.31 in the year 2017. But in the year 2019 it is 16,715.95 decreased.
8. Operating profit before working capital changes Rs. 73,519.37 in 2020.

CONCLUSIONS

- From the financing activities the cash inflows are less than the cash out flows.
- Operating profit is in fluctuating manner.
- Net increase in cash and cash equivalent also fluctuating but it is increased in the first 2 years in an increasing manner but decreased in the 3^{rd},4^{th} years and again increased in last year.
- Cash used in investing activities is decreased till the 2^{nd} year then increased and again from the 4^{th} year to the 5^{th} year.
- Net profit is in the last year is increased in first 2 years when compared to the next years.

SUGGESTIONS

1. Management has to make efficient utilization of the resources available
2. It is recommended that the company's credit policy should be controlled so that the management makes quick collections from debtors.
3. The management has to focus on the investing activities, because these have to help in developing the organizational financial position.
4. The management has to focus on the outflow of the cash because it effects the liquidity position of the company.

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A STUDY ON

FIXED ASSETS MANAGEMENT ON HP GAS KARIMNAGAR

STUDENT STUDY PROJECT SUBMITTED TO THE COMMISSIONER OF COLLEGIATE EDUCATION, Hyderabad

Under the
JIGNASA
SUBMITTED
BY

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DECEMBER, 2021

FIXED ASSETS

Fixed asset is an asset held with the intention of being used for the purpose of producing or providing goods or services and is not held for sale in the normal course of business.

Fixed assets often comprise a significant portion of the total assets of an enterprise, and therefore are important in the presentation of financial position. Furthermore, the determination of whether an expenditure represents an asset or an expense can have a material effect on an enterprise's reported results of operations.

Fixed assets, also known as Property, Plant and Equipment, are tangible assets held by an entity for the production or supply of goods and services, for rentals to others, or for administrative purposes.

These assets are expected to be used for more than one accounting period. Fixed assets are generally not considered to be a liquid form of assets unlike current assets. Examples of common types of fixed assets include buildings, land, furniture and fixtures, machines and vehicles.

The term 'Fixed Asset' is generally used to describe tangible fixed assets. This means that they have a physical substance unlike intangible assets which have no physical existence such as copyright and trademarks.

Fixed assets are not held for resale but for the production, supply, rental or administrative purposes. Assets that held for resale must be accounted for as inventory rather than fixed asset. So for example, if a company is in the business of selling cars, it must not account for cars held for resale as fixed assets but instead as inventory assets. However, any vehicles other than those held for the purpose of resale may be classified as fixed assets such as delivery trucks and employee cars.

Fixed assets are normally expected to be used for more than one accounting period which is why they are part of Non Current Assets of the entity. Economic benefits from fixed assets are therefore derived in the long term.

Fixed assets are those assets which are required and held permanently for a pretty long time in the business and are used for the purpose of earning profits. The successful continuance of the business depends upon the maintenance of such assets. They are not meant for resale in the ordinary course or business and the utility of these remains so long as they are in working order, so they are also known as capital assets. Land and building, plant and machinery, motor vans, furniture and fixture are some examples of these assets.

Financial transactions are recorded in the books keeping in view the going concern aspect of the business unit. It is assumed the business unit has a reasonable

expectation of continuing business at a profit for an indefinite period of time. It will continue to operate in the future. This assumption provides much of the justification for recording fixed assets at original cost and depreciating them in a systematic manner without reference to their current realizable values. It is useless to show fixed assets in the balance sheet at their estimated realizable values if there is no immediate (I.e., cost less depreciation provided) and not at their current realizable values. The market value of a fixed asset may change may with the passage of time, but for accounting purpose it continues to be shown in the books at its book value, I.e., the cost at which it was purchased minus depreciation proved up to date.

The Cost concept of accounting, deprecation calculated on the basis of historical costs of old assets is usually lower than of those calculated at current value. These results in more in more profits on paper which, if distributed in full lead to reduction of capital.

In order for fixed assets to be recognized in the financial statements of an entity, the basic criteria for the recognition of assets laid down in the IASB Framework must be met:

1. The inflow of economic benefits to entity is probable.

2. The cost/value can be measured reliably.

Management of Fixed Assets:

The selection of various fixed assets required creating the desired production facilities and the decision as regards determination of the level of fixed assets is primarily the task at the production / technical people. The decision relating to fixed assets involve huge funds for a long period of time and are generally of irreversible nature affecting the long term profitability of a concern, an unsound invest decision may prove p be total to the very existence of the organization. Thus, management of fixed asset is of vital importance to any organization.

The process of fixed asset management involves:- .

(I) Selection of most worthy projects or alternatives of fixed assets

(II) Arranging the requisite funds /capital for the same.

The first important consideration to be acquire only that much amount of fixed assets which will be just sufficient to ensure smooth and efficient running of the business. In some cases it may be economical to buy certain assets in a lot size. Another important consideration to be kept in mind is possible increase in demand of the firm's product necessarily expansion of its activities. Hence a firm should have that much amount of fixed assets which could adjust to increase demand.

The third aspect of fixed assets management is that must ensure buffer stocks of certain essential equipments/services to ensure uninterrupted production in this events of emergencies. Sometime, there may be a is always better to have some alternative arrangements to deal with such situations. But at the same time the cost of carrying such buffer stock should also be evaluated. Efforts should also be made to minimize the level of buffer stock of fixed assets be encouraging their maximum utilization during learn period learn period, transferring a part of peak period and living additional capacity.

NEED FOR THE STUDY

Fixed Assets plays very important role in relating company's objectives the firms to which capital investment vested on Fixed Assets. These fixed assets are not convertible or not liquid able over a period of time the total owner funds and long term liabilities are invested in fixed assets.

The idle of fixed assets lead a tremendous in financial cost and intangible cost associate to it. So there is need for the companies to evaluate fixed assets performance analysis time to time by comparing with previous performance, Comparison with

similar company and comparison with industry standards. So choose a study to conduct on the fixed assets analysis of HP gas, Karimnagar using ratio in comparison with previous year performance. The title of the project is analysis on Fixed Assets Management.

OBJECTIVES OF THE STUDY

1. To know the concepts which are related to the Fixed Assets Management.
2. To examine the growth rate of total investment of the society is in upward trend.
3. To study the concepts of fixed asset management

SCOPE OF THE STUDY

The project deals with the analysis of management of fixed assets with concerned ratios related to networth, current liabilities, capital employed, etc. of HP gas, Karimnagar. The data collected ranges within the scope of the financial figures drawn from Annul Report of the company. The fixed assets considered in the project are which cannot be converted into cash with one year. Ratio analysis is used for evaluating fixed asset performance of HP gas, Karimnagar**.** The subject matter is limited to fixed assets and its performance but not any other areas of accounting, corporate, marketing and financial matters.

RESEARCH METHODOLOGY:

The data used for analysis and interpretation from annul reports of the society that is secondary forms of data. Ratio analysis is used for calculation on purpose. The project is presented by using tables, graphs and with their interpretation.

No survey is undertaken or observation study is conducted in evaluating "Fixed Assets of HP gas, Karimnagar.

PROPOSED RESEARCH

Type of research:

The present study involves descriptive and quantitative research. Descriptive research design is a scientific method which involves observing and describing the behavior of a subject without influencing it in any way.

It is a descriptive research that is it includes the various concepts and aspects related to the fixed assets management. It is quantitative research that it includes quantifying the data collected from the annual reports of the company.

SOURCES OF DATA:

Primary data:

The present study involves no primary data for the collection of data related to the study.

Secondary Data:

The data gathering method is adopted purely from secondary sources. The theoretical content is gathered from eminent texts books, annual reports and manuals of HP gas, Karimnagar and various websites. Interpretation, Conclusions and Suggestions are purely base on my opinion and suggestions provided by the project guide.

LIMITATIONS OF THE STUDY

- The present study is only for 5 years i.e., from the financial year 2016-2021.
- The analysis is based on the data which is provided by the Companies i.e. Annual reports of the Company.
- The study is based on funds flow statement for a period of 5 years only.

Hindustan Petroleum Corporation Limited (HPCL) was formed on July 15, 1974. Its CIN No. is L23201MH1952GOI008858. HPCL is a Schedule ‘A’ CPSE a Platts Top 250 Global Energy Company with a ranking of 54 with Annual Gross sales of Rs. 2,69,243 crore during FY 2021-21. HPCL enjoys over 18% market share in India and has a strong presence in Refining & Marketing of petroleum products in the country.

HPCL owns and operates Refineries at Mumbai & Visakhapatnam with designed capacities of 7.5 MMTPA & 8.3 MMTPA respectively. HPCL also owns the largest Lube Refinery in the country at Mumbai for producing Lube Oil Base Stocks with a capacity of 428 TMTPA. HPCL holds 48.99% equity stake in JV Company, HMEL which operates a 11.3 MMTPA capacity refinery in Punjab and also has 16.96% equity stake in MRPL which operates a 15 MMTPA capacity refinery in Karnataka.

HPCL has a vast marketing network consisting of 14 Zonal offices in major cities and 133 Regional Offices facilitated by a Supply & Distribution infrastructure comprising 41 Terminals/Installations/Tap Off Points, 46 Aviation Service Stations, 51 LPG Bottling Plants, 6 Lube Blending plants, 70 Depots including lube depots . The customer touch points constitute of 18,692 Retail Outlets, 1,638 SKO/LDO dealers, 283 Lube distributors,120 Carrying & Forwarding Agents, 709 CNG facilities at Retail Outlets and 6,192 LPG Distributorships with a customer base of about 8.7 crore LPG consumers as of May’21.

HPCL has the second largest petroleum product pipeline network in India with network length of 3,775 km. HPCL undertakes Exploration & Production (E&P) of hydrocarbons through its wholly owned subsidiary M/s. Prize Petroleum Company Limited (PPCL). HPCL also conducts business through 19 JV and Subsidiary companies operating across oil & gas value chain.

HPCL has its Research & Development Centre named ‘HP Green R&D Centre’ in Bengaluru. The Centre provides advanced technical support to the Refineries and Marketing SBUs for operational improvement, absorb new technologies, develop innovative & path breaking technologies, license technologies and become a knowledge hub.

HPCL is committed to conducting business with an objective of preserving the environment, sustainable development, being a safe work place and enrichment of the quality of life of employees, customers and the community.

HPCL is a Government of India Enterprise with a Navratna status, and a Fortune 500 and Forbes 2000 company, with an annual turnover ofRs. 1,32,670 Crores and sales/income from operations of Rs 1,43,396 Crores (US$ 31,546 Millions) during FY 2010-11, having about 20% Marketing share in India among PSUs and a strong market infrastructure. HPCL's Crude Thruput and Market Sales (including exports) are 14.75 Million Metric Tonnes (MMT) and 27.03 MMT respectively in the same period.

Modern LPG was first launched by Union Carbide as “PYROFAX” brand in the year 1920. LPG marketing started in india in fifties by Burmah Shell & Stanvac in towns around the Refineries. The marketing of LPG was entrusted to private concessionaires of Esso & Caltex such as erstwhile Kosan Gas, DGPL & JK Gas.HPCL commenced marketing of LPG under the brand name “HP GAS” in 1979 with takeover of these concessionaires and merger with HPCL with a customer holding of 7.8 lakhs. The demand was sluggish till 1970 - sales 174 TMT.

Today Liquefied Petroleum Gas (LPG) has become the single most popular household fuel. Since it was introduced in 1955, LPG consumption has gone up tremendously. HP Gas today (As of March 2021) has over 85 million domestic LPG consumers catered through a network of over 6,110 distributors.. HP GAS, the HPCL brand of LPG, is what keeps the fire burning in millions of Indian homes Bottled at 50 LPG Bottling Plants throughout the country with a total capacity of nearly 5,582 TMTPA(thousand metric tons per annum), HP Gas reaches you after thorough checking at every stage right from bottling to distribution. That is what makes HP Gas synonymous with Safety.

As a step to restructure HPCL, it undertook Business Process Re-engineering, and HP Gas was identified as a separate strategic business line. Accordingly, LPG Regional Offices were formed with LPG bottling plants as nodal points, and dedicated HP Gas sales areas were set up. The field marketing set up consists of 38 exclusive LPG Regional Managers. There are sales areas in each region with an exclusive Sales Officer looking after the various aspects of LPG marketing of a particular geographical area including control on the HP Gas distributorships.

In addition to Domestic LPG, HPGAS also markets LPG cylinders for Commercial and Industrial purposes and Bulk LPG by tankers for Industries.

For the last 40 years and more, **Hindustan Petroleum** has meant different things to different people. For some it represents an abundant supply of Petrol and Diesel. For others it stands for the easy availability of LPG and lubricants. Thousands of others see in it an inexhaustible reservoir of Kerosene and other petroleum products for meeting their energy needs. For all of them HP signifies an ever- radiant source of energy. Energy that is making a big difference to millions of lives. HP is all set to unveil an exciting new phase in its growth. Diversifying into oil Exploration and Production, Power Generation, Renewable Energy ventures and much more. Confident of creating a **Future full of Energy**.

HPCL is a **Government of India Enterprise** with a **Navratna Status**, and a **Forbes 2000 and Global Fortune 500 company**. It had originally been incorporated as a company under the Indian Companies Act 1913. It is listed on the Bombay Stock exchange (BSE) and National Stock Exchange (NSE), India.

HPCL owns & operates 2 major refineries producing a wide variety of petroleum fuels & specialties, one in **Mumbai** (West Coast) of **6.5**Million Metric Tonnes Per Annum (MMTPA) capacity and the other in **Visakhapatnam**, (East Coast) with a capacity of **8.3** MMTPA. HPCL also owns and operates the largest Lube Refinery in the country producing Lube Base Oils of international standards, with a capacity of 428 TMT. This Lube

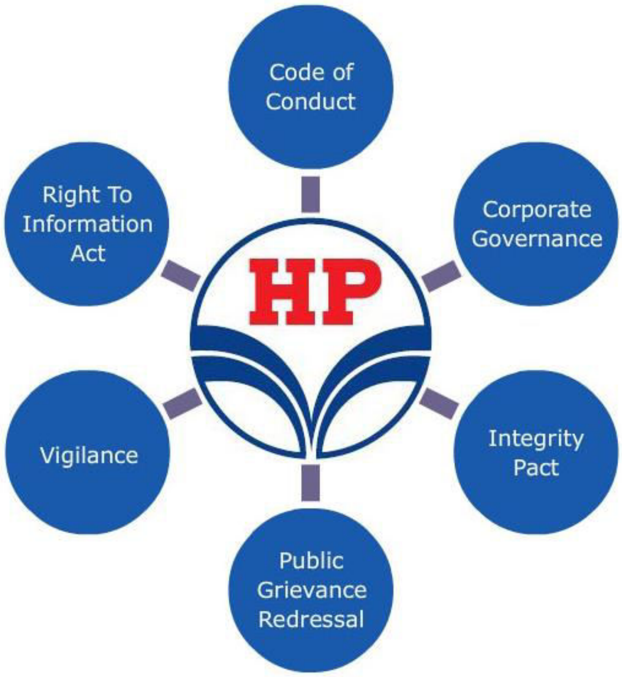
Refinery accounts for over 40% of the India's total Lube Base Oil production. Presently HPCL produces over 300+ grades of Lubes, Specialities and Greases. HPCL in collaboration with M/s Mittal Energy Investments Pte. Ltd.. is operating a 9 MMTPA capacity Refinery at Bathinda in Punjab and also holds an equity of about 16.95% in the 15 MMTPA Mangalore Refinery and Petrochemicals Ltd. (MRPL).

HPCL has the second largest share of product pipelines in India with a pipeline network of more than 2,500 kms for transportation of petroleum products and a vast marketing network consisting of 13 Zonal offices in major cities and 101 Regional Offices facilitated by a Supply & Distribution infrastructure comprising Terminals, Pipeline networks, Aviation Service Stations, LPG Bottling Plants, Inland Relay Depots & Retail Outlets, Lube and LPG Distributorships.

Consistent excellent performance has been made possible by highly motivated workforce of over 11,000 employees working all over India at its various refining and marketing locations. View Past Annual Reports to know more about HPCL. The RTI Information Manualprovides various details about the operation of the Corporation.

HPCL is committed to achieve the economic, ecological & social responsibility objectives of sustainable development consistently through varied operations and activities. HPCL's focus areas are in the fields of Child Care, Education, Health Care, Skill Development & Community Development, touching lives of weaker section of society.

GOVERNANCE



PROFILE OF BHARGAVEE GAS LINES

Bhargavee Gas Lines was established on 30th march, 1994 by Sri. Vaddi Raju Laxmi Narasimha Rao. He was a Journalist and got award as a Senior journalist.He developed the company to the year 2009 with the customers of 25000. He taken the franchisee from Hindustan Petroleum Corporation Limited.

In the year 2009, it was taken over by the D. Gangadhar, who has the experience of 12 years as manager in Bhargavee Gas lines. He developed the organization and increased the no. of customers with 28000.

PRODUCTS OF BHARGAVEE GAS LINES FROM 2009

- Gas stoves
- Rubber tubes
- Lighters
- Cylinders
- Regulators
- Pressure cookers

- Tea powder etc.,

From 2011, it has created an online booking service for the customers. It supplies the gas cylinders like

- 14.2 domestic
- 19 kg commercial and industrial

AWARDS AND SERVICES OF BHARGAVEE GAS LINES FOR THEIR CUSTOMERS:

- In the year 1999, in the "Deepam LPG Connections" program 11000 connectiona were allotted for the dwakra groups when there is TDP government.
- 1st supplier award for the Deepam LPG Connection taken by the Sumitha Dawra
- Free installation of 447 connections for the Madhyahna Bhijana Padhakam by the approval of HPCL in the year 2003
- "Oil conservation fortnight" mega program is conducted every year from 1st January to 15th January for the customers on the hands of Dist. Collector, Civil Supply officer, Consumer forum President and area manager of HPCL.

Address ofBhargavee Gas Lines

H.No. 9-1-25, Collectorate Road,

Karimnagar,Andhra Pradesh,505001.

Phone No: 986624242

Phone No: 2240751

THEORETICAL FRAMEWORK

Assets may be described as valuable resources owned by a business which were acquired at a measurable money cost. As an economic resource, they satisfy three requirements. In the first place, the resource must be valuable. A resource is valuable if (i) it is cash / convertible into cash; or (ii) it can provide future benefits to the operations of the firm. Secondly, the resource must be owned. Mere possession or control of a resource would not constitute an asset; it must be owned in the legal sense of term. Finally, the resource must be acquired at a measurable money cost. In case where an asset is not acquired for cash/promise to pay cash, the test is what it would have cost had cash been paid for it?

Assets have three essential characteristics:

They embody a future benefit that involves a capacity, singly or in combination with other assets, in the case of profit oriented enterprises, to contribute directly or indirectly to future net cash flows, and in the case of not-for-profit organizations, to provide services:

The entity can control access to the benefit; and, the transaction or event giving rise to the entity's right to, or control of, the benefit has already occurred.

It is not necessary; in the financial accounting sense of the term, for control of access to the benefit to be legally enforceable for a resource to be an assets, provided the entity can control its use by other means.

It is important to understand that in an accounting sense an asset is not the same as ownership. In accounting, ownership is described by the term "equity" plus "liability".

The accounting equation relates assets, liability, and owner's equity:

Assets =Liability+ Owner's Equation is the mathematical structure of the balance sheet.

Assets are usually listed on the balance sheet. It has a normal balance sheet. Assets are usually listed on the balance sheet. It has a normal balance, or usual balance, of debit (i.e. asset account amount appear on the left side of a ledger). Similarly, in economics and assets any form in which wealth can be held.

Probably the most accepted accounting definition of asset is the one used by the International Accounting Standards Board. The following is a quotation from the

IFRS Framework; "An asset is a resource controlled by the enterprise as a result of past events and from which future economic benefits are expected to flow to the enterprise."

Assets are formally controlled and managed within larger organization via the use of asset tracking tools. These monitor the purchasing, upgrading, servicing licensing, and disposal etc., of both physical and non physical assets.

The assets in the balance sheet are listed either in order of liquidity promptness with which they are expected to be converted into cash or in reserve order, that is, fixity or listing of the least liquid (fixed) first followed by others. All assets are grouped into categories, that is, assets with similar characteristics are put in one category. The assets included in one category are different from those in other categories.

The standard classification of assets divides them into

(1) Fixed assets or Tangible assets,

(2) Current assets,

(3) Investments, and

(4) Other assets.

Tangible fixed assets are those, which have physical existence and generate goods and services. Included in this category is land, building, plant, machinery, furniture, and so on. They are shown in the balance sheet, in accordance with the cost concept, at their cost to the firm at the time they were purchased. Their cost is allocated to /charged against/spread over their useful life.

The yearly charge is referred to as depreciation, as a result, the amount of such assets shown in the balance sheet every year declines to the extent of amount of depreciation charged in that year and by the end of the useful life of the asset it equals the salvage value, if any. Salvage value signifies the amount realized by the sale of the discarded asset at the end of its useful life.

Intangible assets do not generate goods and services directly. In a way, they reflect the rights of the firm. This category of assets comprises patents, copyrights, trademarks and goodwill. They confer certain exclusive rights to their owners. Patents conger exclusive rights to use an invention, copyrights relates to production and sale of literary, musical and artistic works, trademarks represent exclusive right to use certain names , symbols, labels, designs and so on .intangible fixed assets are also written off over period of time.

Intangible fixed assets lack physical substance and arise from a right granted by the government or another company. Intangibles may be acquired or developed internally. Examples of rights granted by the government are patents copyrights and trademarks. While an example of a privilege granted by another company is a franchise. Other types of intangibles include organization costs, leasehold improvements, and goodwill. Organization costs are the expenditure incurred in starting a new company. An example would be legal fees. Leasehold improvements are expenditures made by a tenant To his are her leased properties, such as the cost of putting up paneling. Goodwill represents the amount paid.

For another business excess of the fair market value of its tangible net assets .for example, if a company a paid $1000000 for a company B's net assets having a fair market value of $ 84000, the amount paid for goodwill is $ 16000. Goodwill can be recorded only when a company purchases another business. The amount paid for the goodwill of a business may be based upon the acquired firm's excess earnings over other companies in the industry. Internally developed goodwill (e.g., goof d customer relations) is not recorded in the accounts.

OTHER ASSETS:

When noncurrent assets cannot be properly placed into the asset classifications already discussed, they may be included in the Other Assets category. Placement of an item in this classification depends upon its nature and dollar magnitude. However, this classification should be used as a last resort.

FIXED ASSETS:

Fixed assets are those, which are required and held permanently for a pretty longtime in the business and are used for the purpose of earning profits. This successful continuance of the business depends upon the maintenance of such assets. They are not meant for release in the ordinary course or business and the utility of these remains so long as they are in working order, so they are also known as capital assets. Land and building, plant and machinery, motor vans, furniture and fixture are some examples of these assets.

Financial transactions are recorded in the books keeping in view the going concern aspect of their business unit. It is assumed the business unit has a reasonable expectation of continuing business at a profit for indefinite period of time. It will continue to operate in the future. This assumption provides much of the justification for recoding fixed assets at original coat and depreciating them in a systematic manner without reference to their current realizable value. It is useless to show fixed assets in the balance sheet at their estimated realizable values if there is no immediate expectation of selling them. Fixed resale, so they are shown at their book values (i.e., cost less depreciation provided) and not at their current realizable values.

The market value of a fixed asset may change with the passage of time, but for accounting purpose it continues to be shown in the books at its book value, i.e., the cost at which it was purchased minus depreciation proved up to date

The cost concept of accounting, depreciation calculated on the basis of historical costs of old assets is usually lower than that of those calculated at current value or replacement value. These results in more profits on paper, which if distributed in full, will lead to reduction of capital.

MANAGEMENT OF FIXED ASSETS:

The selection of various fixed assets required creating the desired production facilities and the decision regards the determination of the level of fixed assets is primarily the task that at the production technical people. The decision relating to fixed assets involves huge funds a long period of time and are generally irreversible nature affecting the long term profitability of a concern, an unsound invest decision may prove to be total to the very existence of the organization.

Thus, the management of fixed assets is of vital importance to any organization. The process of fixed asset management involves:

i. Selection of most worthy projects or alternative of fixed assets.
ii. Arranging the requisite funds / capital for the same.

The first important consideration to be acquire only that much amount of fixed assets which will be just sufficient to ensure and efficient running of the business. In some cases it may be economical to buy certain assets in a lot size. Another important consideration to be kept in mind is possible increase in demand of the firm's product necessarily expansion of its activities. Hence a firm should have that much amount of fixed assets, which could adjust to increase demand.

The third of fixed assets management is that a firm must ensure buffer stocks of certain essential equipment / services to ensure uninterrupted production in these events of emergencies. Sometime, there may be a breakdown in some equipment or services affecting the entire production. It is always better to have some alternative arrangements to deal with such situations. But at the same time the cost of carrying such buffer stock should also be evaluated. Efforts should also be made to minimize the level of buffer stock of fixed assets be encouraging their maximum utilization during learn period, transferring a part of peak period and living additional capacity.

NEED FOR VALUATION OF FIXED ASSETS:

Valuation of fixed assets is important in order to have fair measure of profit or loss and financial position of the concern. Fixed assets are meant for use for many years. The value of these assets decreases with their use or with time or for other reasons. A portion of fixed assets reduced by use is converted into cash though charging depreciation. For correct measurement of income proper measurement of depreciation is essential, as depreciation constitutes a part of the total cost of production.

How should the changing value of a fixed asset be reflected in a company's accounts?

The benefits that a business obtains from a fixed asset extend over several years. For example, a company may use the same piece of production machinery for many years, whereas a company-owned motor car used by a salesman probably has a shorter useful life.

Definition of depreciation

Financial Reporting Standard 15 (covering the accounting for tangible fixed assets) defines depreciation as follows:

"The wearing out, using up, or other reduction in the useful economic life of a tangible fixed asset whether arising from use effluxion of time or obsolescence through either changes in technology or demand for goods and services produced by the asset.'

A portion of the benefits of the fixed asset will be used up or consumed in each accounting period of its life in order to generate revenue. To calculate profit for a period, it is necessary to match expenses with the revenues they help earn.

In determining the expenses for a period, it is therefore important to include an amount to represent the consumption of fixed assets during that period (that is, depreciation) In essence; depreciation involves allocating the cost of the fixed asset (less any residual value) over its useful life.

To calculate the depreciation charge for an accounting period, the following factors are relevant: -the cost of the fixed asset; -the (estimated) useful life of the asset; -the (estimated) residual value of the asset.

What is the relevant cost of a fixed asset?

The cost of a fixed asset includes all amounts incurred to acquire the asset and any amount that can be directly attributable to bringing the asset into working condition. Directly attributable cost may include:

- Delivery costs
- Costs associated with acquiring the asset such as stamp duty and import duties
- Costs of preparing the site for installation of the asset
- Professional fees, such as legal fees and architects' fees

Note that general overhead costs or administration costs would not costs of a fixed asset (e.g. the cost of the factory building in which the asset is kept, or the cost of the maintenance team who keep the asset in good working condition)

The cost of subsequent expenditure on a fixed asset will be added to the cost of the asset provided that this expenditure enhances the benefits of the fixed asset or restores any benefits consumed.

This means that major improvements or a major overhaul may be capitalized and included as part of the cost of the asset in the accounts.

However, the costs of repairs or overhauls that are carried out simply to maintain existing performance will be treated as expenses of the accounting period in which the work is done, and charged in full as an expense in that period.

DEPRECIATION AND SALVAGE VALUE

Although the useful life of equipment (a fixed asset) may be long, it is nonetheless limited. Eventually the equipment will lose all productive worth and will possess only salvage value (scrap value).

Accounting demands a period-by-period matching of costs against income. Hence, the cost of a fixed asset (over and above its salvage value) is distributed over the asset's estimated lifetime. This spreading of the cost over the periods which receive benefits is known as depreciation.

The depreciable amount of a fixed asset - that is, cost minus salvage value - may be written off in different ways. For example, the amount may be spread evenly over the years affected as in the straight-line method. The units of production method bases depreciation for each period on the amount of output. Two accelerated methods, the double declining balance method and the sum-of-the years'-digits method, provide for greater amounts of depreciation in the earlier years.

DEPRECIATION METHODS

1. STRAIGHT-LINE METHOD

This is the simplest and most widely used depreciation method. Under this method an equal portion of the cost (above salvage value) of the asset is allocated to each period of use. The periodic depreciation charge is expressed as

$$\frac{\text{Cost - Salvage Value}}{\text{Estimated life}} = \text{Depreciation}$$

Or

$$\frac{\text{Depreciation expense}}{\text{Depreciable base}}$$

2. UNITS OF PRODUCTION METHOD

Where the use of equipment varies substantially from year to year, the units-of-production method is appropriate for determining the depreciation. For example, in some years logging operations may be carried on for 200 days, in other years for 230 days, in still other years for only 160 days, depending on weather conditions. Under this method, depreciation is computed for the appropriate unit of output or production (such as hours, miles, or pounds) by the following formula:

$$\frac{\text{Cost - Salvage}}{\text{Estimated units of production during lifetime}} = \text{Unit Depreciation}$$

The total number of units used in a year is then multiplied by the unit depreciation to arrive at the depreciation amount for that year. We can express this as

Unit depreciation x usage = depreciation

Or

$$\frac{\text{Cost - Salvage}}{\text{Estimated life (in units)}} \text{ X usage = depreciation}$$

This method has the advantage of relating depreciation cost directly to income.

3. DOUBLE DECLINING BALANCE METHOD

The double declining balance method produces the highest amount of depreciation in the earlier years. It does not recognize salvage or scrap value. Instead, the book value of the asset remaining at the end of the depreciation period becomes the salvage or scrap value. Under this method, the straight-line rate is doubled and applied to the declining book balance each year. Many companies prefer the double declining balance method because of the greater "write-off in the earlier years, a time when the asset contributes most to the business and when the expenditure was actually made. The procedure is to apply a fixed rate to the declining book value of the asset each year. As the book value declines, the depreciation becomes smaller.

$$\frac{100\%}{\text{Estimated life in years}} \text{ X 2 = Depreciation rate}$$

(or)

Straight line depreciation rate x 2

4. SUM-OF-THE-YEARS-DIGITS METHOD

With this method, the years of asset's lifetime are labeled I, 2, and 3 and so on, and the depreciation amounts are based on a series of fractions that have the sum of the years, digit as their common denominator.

The greatest digit assigned to a year is used as the numerator for the first year, the next greatest digit for the second year, and so forth.

What is the Useful Life of a fixed asset?

An asset may be seen as having a physical life and an economic life. Most fixed assets suffer physical deterioration through usage and the passage of time. Although care and maintenance may succeed in extending the physical life of an asset, typically it will, eventually, reach a condition where the benefits have been exhausted.

However, a business may not with to keep an asset until the end of its physical life. There may be a point when it becomes uneconomic to continue to use the asset even though there is still some physical life left.

The economic life of the asset will be determined by such factors as technological progress and changes in demand. For purposes of calculating depreciation, it is the estimated economic life rather than the potential physical life of the fixed asset that is used.

What about the Residual Value of a fixed asset?

At the end of the useful life of a fixed asset the business will dispose of it and any amounts received from the disposal will represent its residual value. This, again, may be difficult to estimate in practice. However, an estimate has to be made. If it is unlikely to be a significant amount, a residual value of zero will be assumed.

TREND ANALYSIS

In Financial Analysis the direction of changes over a period of years is of initial importance. Time series or trend analysis of ratios indicators the direction of change. This kind of analysis is particularly applicable to the items of profit and loss account. It is advisable that trends of sales and net income may be studies in the light of two factors.

The rate of fixed expansion or secular trend in the growth of the business and the general price level. It might be found in practice that a number of firms would be shown price level. It might be found in practice that a number of firms would be shown a persistent growth over period of years. But to get a true trend of growth, the sales figure should be adjusted by a suitable index of general prices. In other words, sales figures should be deflated for rising price level.

Another method of securing trend of growth and one which can be used instead of the adjusted sales figure or as check on them is to tabulate and plot the output or physical volume of the sales expressed in suitable units of measure. If the general price level is not considered while analyzing trend of growth; it can be mislead management they may become unduly optimistic in period of prosperity and pessimistic in duel periods.

For trend analysis, the use of index numbers is generally advocated the procedure followed is to assign the 100 to item of the base year and at calculate percentage change in each items of other in relation to the base year. The procedure may be called as taxed percentage method.

This margin determines the direction of upward or downward and involves the implementation of the percentage relationship of the each statement item beans to the same in the base year. Generally the first year is taken as the base year. The figure of the base year are taken as 100 and trend ratio he other year are calculated on the basis of one year. Hare an attempt is made to know the growth total investment and fixed assets of HP gas, Karimnagar for six years

TABLE-1

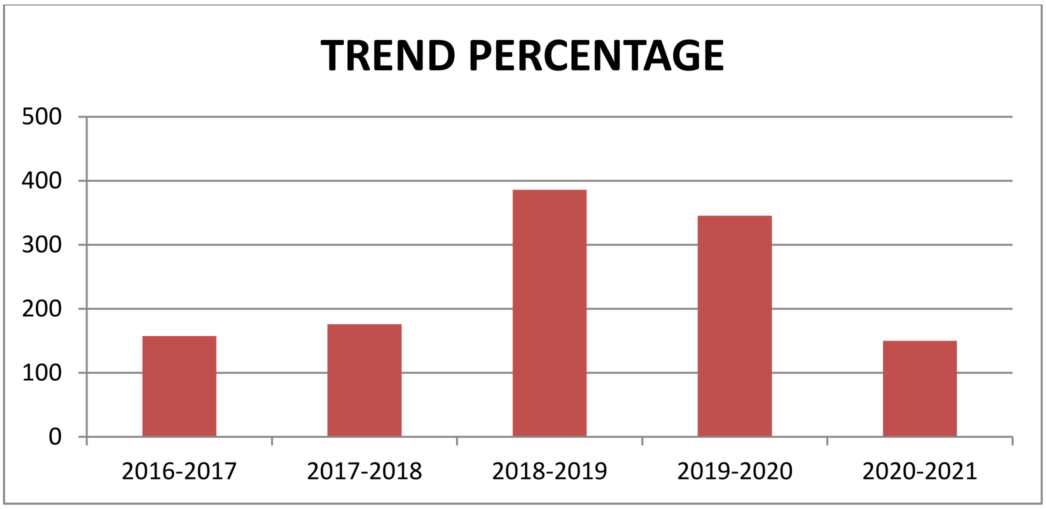
GROWTH RATE OF INVESTMENT TREND

AMOUNT IN '000

YEAR	INVESTMENT	TREND PERCENTAGE
2016-2017	448215	157.52
2017-2018	733534	175.97
2018-2019	1613531	385.88
2019-2020	1439552	345.34
2020-2021	416847	150
Average	**929335.8**	**222.942**

Source: Secondary data

Chart No.1



Interpretation:

From the analysis of the above table no.1, it can be observed that the growth rate of total investment is in upward trend and which shows that total investment is increasing from year to year during the year 2020-2021 to 2019-2020. The average investment in total asset was found to be Rs.929335.8 during the review period. During the period of 2020-2021 it is Rs. 416847 and it was increased in the year 2019-2020 Rs.1439552.

From the above table, growth in trend percentage is satisfactory to the organization because it can generate more incomes to the organization.

TABLE 2

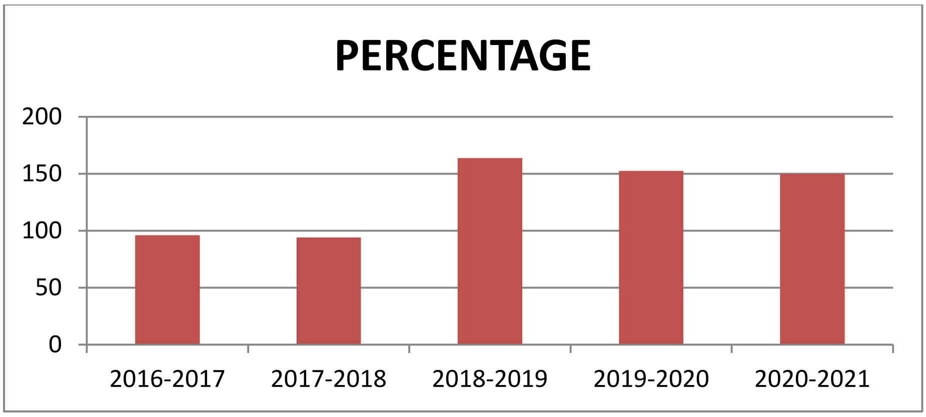
GROWTH RATE IN FIXED ASSETS

AMOUNT IN '000

YEAR	FIXED ASSETS	PERCENTAGE
2016-2017	18821	96.14
2017-2018	18438	94.18
2018-2019	32243	163.62
2019-2020	29817	152.31
2020-2021	19576	150
AVERAGE	**21779**	**161.25**

Source: Secondary data

Chart No.2



Interpretation:

During the year 2020-2021 the assets investment was recorded at 19576 and it is increased to Rs. 29817 in 2019-2020 the fixed assets investment is quite satisfactory. The trend percentage in the year 2020-2021 is taken as the base year as 150% and is was increased to 152.31 in the year 2019-2020.The average growth rate in fixed assets Rs. 21779 in 5 years.

From the above table, growth in fixed assets is satisfactory to the organization because it can generate more incomes to the organization.

1. FIXED ASSETS TO NET WORTH

The ratio establishes the relationship between Fixed Assets and Net Worth.

Net Worth = Share Capital + Reserves & Surplus + Retained Earnings.

$$\text{Fixed Assets to Net Worth Ratio} = \frac{\text{Fixed Assets}}{\text{Net Worth}} \times 150$$

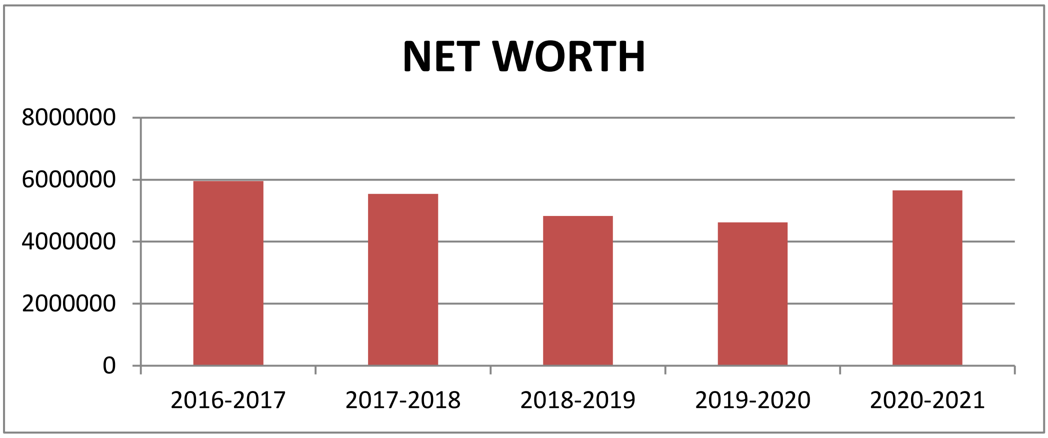
TABLE-3

AMOUNT IN ‘000

YEAR	FIXED ASSETS	NET WORTH	RATIO IN %
2016-2017	18821	5951620	0.31
2017-2018	18428	5520020	0.33
2018-2019	22243	4820164	0.46
2019-2020	29817	4619815	0.64
2020-2021	19576	5651638	0.34

Source: Secondary data

Chart No.3



Interpretation:

a) The gross fixed to Net worth Ratio is fluctuating from year to year. In the year 2014-2016 the gross fixed assets to net worth ratio is 0.34.in the year 2019-2020 fixed asset to net worth to acquire the ratio is 0.64

c) The highest ratio recorded in 2019-2020 at 0.64 the lowest ratio is recorded at 0.33 in the year 2017-2018.

2. FIXED ASSETS AS A PERCENTAGE TO LONG TERM LIABILITIES

Fixed Assets ratio a several of fixed assets to net worth is a ratio of fixed assets to long term funds which is calculated as:

$$\text{Fixed assets to long term liabilities} = \frac{\text{Fixed Assets (After Depreciation)}}{\text{Capital Employed}} \times 150$$

TABLE – 4

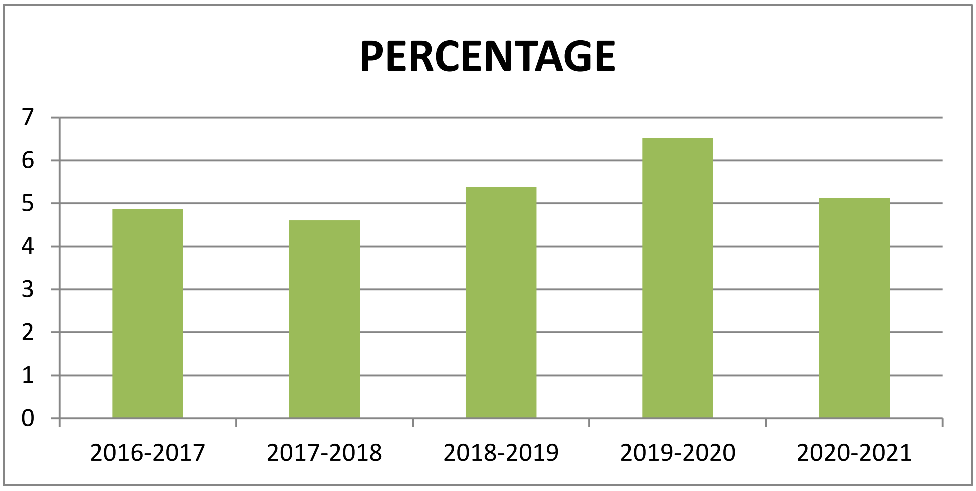
AMOUNT IN '000

YEAR	FIXED ASSETS	LONG TERM FUNDS	PERCENTAGE
2016-2017	18821	385649	4.88
2017-2018	18438	399343	4.61

2018-2019	22243	417954	5.38
2019-2020	29817	457172	6.52
2020-2021	19576	381679	5.13

Source: Secondary data

Chart No. 4



Interpretation:

a) The fixed assets as a percentage of long term liabilities the ratio is fluctuating from year to year. The fixed assets as a percentage of long term liabilities are decreased to 4.61 in 2017-2018 but it is recorded at 6.52% in the year 2019-2020.

b) The highest ratio is recorded at 6.52% in the 2019-2020 the lowest ratio is 4.61% in the year 2017-2018.

3. Fixed Assets as Percentage Current Liabilities

$$\text{Fixed Assets a Percentage Current Liabilities} = \frac{\text{Fixed Assets}}{\text{Current Liabilities}}$$

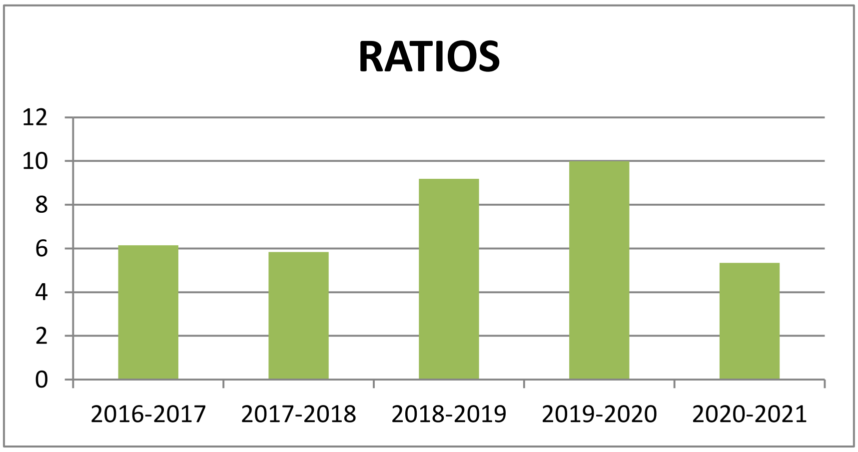
TABLE-5

AMOUNT IN '000

YEAR	FIXED ASSETS	CURRENT LIABILITIES	RATIOS
2016-2017	18821	313474	6.15
2017-2018	18438	315371	5.84
2018-2019	22243	241960	9.19
2019-2020	29817	298405	9.99
2020-2021	19576	365978	5.34

Source: Secondary data

Chart No.5



Interpretation:

a) The ratio was in fluctuating trend percentage in review period.

b) From the above table it is observed that the ratio was recorded at 5.34 in the 2020-2021 and it is gradually changing to 9.99 in 2019-2020 which indicates that the current funds are used in the fixed assets which is quite satisfactory.

c) The highest ratio was recorded at 9.99 which is higher than the average ratio.

d) The lowest ratio was recorded at 5.34, which is Jess than the average ratio.

4. FIXED ASSETS AS PERCENTAGE TO TOTAL ASSETS

$$\text{Fixed assets \% Total Assets} = \frac{\text{Fixed Assets}}{\text{Total Assets}} \times 150$$

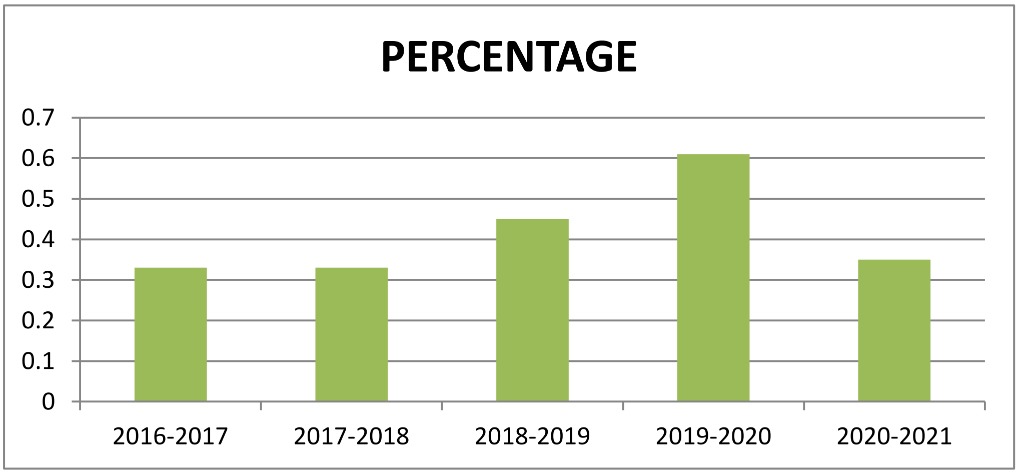
TABLE-6

AMOUNT IN '000

YEAR	FIXED ASSETS	TOTAL ASSETS (IN LAKHS)	PERCENTAGE
2016-2017	18821	5671729	0.33
2017-2018	18438	5438816	0.33
2018-2019	22243	4863687	0.45
2019-2020	29817	4864675	0.61
2020-2021	19576	5535621	0.35

Source: Secondary data

Chart No.6



Interpretation:

1. Fixed Assets to total assets ratio is fluctuating trend during the review period of time.
2. During the year 2014-2016 the ratio was recorded as 0.35% and the year 2019-2020 the ratio increased to 0.61.
3. The highest ratio was observed at 0.61% in the year 2019-2020, which is more than average ratio.

GROSS CAPITAL EMPLOYED

Gross Capital Employed = Fixed Assets + Current Assets

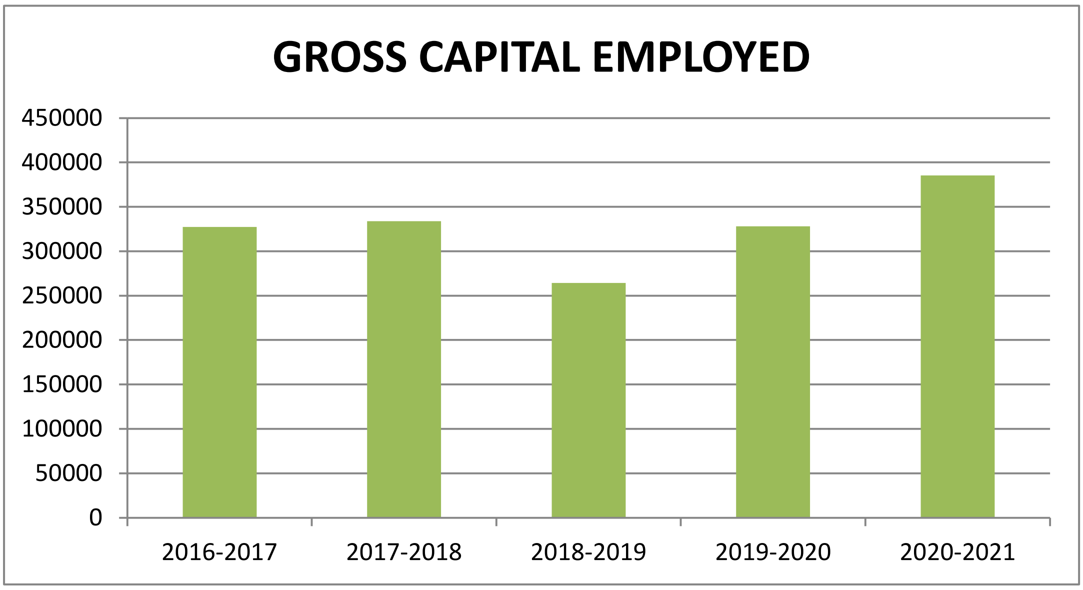
TABLE –7

AMOUNT IN '000

YEAR	FIXED ASSETS	CURRENT LIABILITIES	GROSS CAPITAL EMPLOYED
2016-2017	18821	313474	327295
2017-2018	18438	315371	333814
2018-2019	22243	241960	264203
2019-2020	29817	298405	328222
2020-2021	19576	365978	385554

Source: Secondary data

Chart No.7



Interpretation:

- Gross capital employed is fluctuating trend during the review period of time.
- During the year 2020-2021 the value was recorded as 385554 and the year 2019-2020 the value decreased to 328222.
- The highest value is 385554 in the year 2020-2021.
- The lowest value is 264203 in the year 2018-2019.

FINDINGS

1. According to the trend analysis it can be observed that the growth rate of total investment of the bank is in upward trend.
2. The average growth in fixed assets is Rs. 21779 in five years.
3. The gross fixed to net worth ratio is fluctuating from year to year. In the year 2020-2021 the gross fixed assets to net worth ratio is 0.34, in the year 2019 to 2020 the fixed assets to net worth to acquire the ratio is 0.64.
4. The fixed assets has percentage to current liabilities ratio was 5.34 in the year 2020-2021 and is gradually increased to 9.99 in 2019-2020.
5. The fixed assets as a percentage of total assets is 0.35 in the year 2020-2021. It is increased to 0.61 in the year 2019-2020.

CONCLUSIONS

1. Fixed assets to Networth ratio is increasing every year.
2. Fixed assets percentage against long term liabilities is fluctuating every year.
3. The percentage of fixed assets to total assets is increased from 0.35 in the year 2020-2021 to 0.61 in the year 2019-2020.
4. Gross capital employed is decreasing every year from 2020-2021 to 2019-2020.

SUGGESTIONS

After analyzing the financial position of HP gas and evaluating its Fixed Assets Management or Capital Budgeting Techniques in inspect of Components Analysis, Trend Analysis and Ratio Analysis. The following conclusions are drawn from the project preparation.

- The fixed assets to total assets ratio is very low. The bank has to increase the position of fixed assets over total assets.
- The investments ratio is very low. The bank has to take necessary steps to increase the position of investments.
- The Company should focus on the current liabilities as they are increasing in fluctuating trend.

By seeing the above points we can say the company's position is growing steadily and the company is having potentially in improving the financial position future which is a good sign.

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