



A Study on Funds Flow Statement

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ABSTRACT:

A fund flow refers to the inflow and outflow of funds or assets for a company and is often measured on a monthly or quarterly basis. A fund flow statement reveals the reasons for these changes or anomalies in the financial position of a company between two balance sheets. These statements portray the flow of funds - or the sources and applications of funds over a particular period.

REVIEW OF LITERATURE:

Funds flow statement:

The funds flow statement which reveals the methods by which the business has been financed and how it has used its funds between the opening and closing balance sheet date. Thus, a funds flow statement is a report on movement of funds explaining where from working capital originates and where into the same goes during an accounting period.

WORKING CAPITAL MANAGEMENT:

Working capital is the firm's holdings of current assets such as Cash, receivables, inventory and marketable securities. Every firm required working capital for its day to day transactions such as purchasing raw material, for meeting salaries, wages, rents, rates, advertising etc. but there is much disagreement among various financial authorities (financial managers, accountants, businessmen and economists) as to the exact meaning of the term working capital.

Significance of working capital:

- Arranging short term financing
- Negotiating favourable credit terms
- Controlling the movement of cash
- Administering accounts receivables
- Monitoring investment in receivable

Sources of Funds

The typical sources of working capital are summarized below:

1. Funds from operations (adjusted net income)
2. Sale of non-current assets.
 - Sale of long-term investments (share, bonds, debentures etc.)
 - Sale of tangible fixed assets like land, buildings, plant or equipment.
 - Sale of intangible fixed assets like goodwill patents and copyrights.
3. Long term financing
 - Long-term borrowing
 - Issue of equity and preference shares.

4. Short-term financing such as bank borrowing In the following paragraphs we explain the measurements of funds from operation, as it usually involves a number of adjustments.

FUNDS FLOW STATEMENT: It consists of two parts.

1. Statement of schedule of changes in working capital.
2. Statement of sources and applications of funds.

NEED FOR THE STUDY

This study is important for understanding the management of funds flow statement in Ultra Tech Cements it gives information on the basis of analysis about percentage of investment in each current asset cause for changes in working capital from different sources amount of working capital required. The firm's trade creditors are interest in the firm ability to meet their claim over a short period of time. So they required the evaluation of the firm's liquidity position. The suppliers of the long-term debt on the other hand of concerned with the long-term resolutions and survival. They analyses the firm profitability over time.

OBJECTIVES OF THE STUDY:

- To determine the requirement of working capital requirements of the firm.
- To give suggestions, if any, based on the present research
- To know whether the current assets and current liabilities are properly managed.
- To review the structure, original growth and performance of ultra tech cement during the study period.

RESEARCH METHODOLOGY

This study is made through two sources.

Primary Data: The primary data comprises information collected during discussions with Heads of Departments and from the meeting with officials and staff.

Secondary Data: The secondary data has been collected from information through Annual reports, Public report, Bulletins and other printed Materials supplied by the Company.

LIMITATIONS OF THE STUDY

The study has to be made ideal conditional but every study has some limitations.

- This study is limited of the company ultra tech cement only. The time factor of 8 weeks is also a limiting factor for an induct study.
- The analysis is prepared on the basis of company reports where some information is kept confidential by the company and hence total analysis was not possibl

DATA ANALYSIS AND INTERPRETATION:

ULTRA TRCH CEMENT STATEMENT OF CHANGES IN WORKING CAPITAL DURING THE YEAR 2021-2022

PARTICULARS	2021	2022	INCREASE	DECREASE
A. Current assets:				
Inventories	34,383.76	22,786.43		115,97.33
Trade receivables	22,013.27	15,770.90		6242.37
Cash and cash equivalents	3,711.65	2,107.02		1604.63
Short term loans & advances	16,930.83	34,320.29	17389.46	
Other current assets	1,169.69	1,206.77	37.08	
Total current assets	78,209.20	76,191.41		
B. Current liabilities				
Short term borrowings	6316.65	11481.14		5164.49
Trade payable	7554.92	9875.57		2320.65
Other current liabilities	12803.36	10931.85	1871.51	
Short term provision	5073.93	3044.36	2029.57	
Total current liabilities	31748.86	35332.92		
C.net working capital (A-B)	46460.34	40858.49		
Net increase in working capital		5601.85	5601.85	
			26929.47	26929.47

INTERPRETATION: As per above working capital in current assets short term loans & advances, other current assets are increased in 2022. As well inventories, trade receivables, cash and cash equivalents are decreased in 2022. In other side in current liabilities short term borrowings, trade payables are decreased in 2022. As well as other current liabilities, short term provisions are increased in 2022. The overall —networking capital decreased to 5601.85/- in the year 2022.

FUNDS FLOW STATEMENT FOR THE YEAR 2021-2022

SOURCE OF FUNDS	AMOUNT	APPLICATION OF FUND	AMOUNT
Funds from operation	7892.21	Repayment of other long term liabilities	6.48
Raising long term borrowings	21549.71	Tangible assets	128.28
Raising long term provisions	88.78	Non-current investments	2616.93
In tangible assets	24.77	Long term loans and advance	29173.18
Capital work in progress	200.87	Other non-current assets	2281.32
Net decrease in working capital	5601.85		
	35358.19		35358.19

FINDINGS

- In the year 2021 The Total liabilities have increased from 292819.60 to 325927.88. The non-current assets have increased from 214610.40 to 249736.47.
- In the year 2022 the balance sheet reserves and surplus has increased from 244887.22 to 253465.25. Non-current liabilities have decreased from 9322.09 to 7605.49
- The Fixed assets turnover ratios of the Ultra tech cement during the study period are low. So the company doesn't use its fixed assets effectively.

- The Debtors turnover ratios of the Ultra tech cement during the study period are low. So the company doesn't manage debtors effectively.
- The Inventory turnover ratios of the Ultra tech cement during the study period are promptly. So the company sold its inventory quickly.
- The Working capital turnover ratios of the Ultra tech cement during the study period are low. The company doesn't use working capital effectively

SUGGESTIONS

- In order to reduce the outside borrowings in the company has to acquire. The capital from equity sources. Keeping in view the debt equity the proportion as normal.
- The liquidity of the company should be improved by maintaining the optimum current assets and liquid assets according to standard norms.
- The quantum of the sales generated should be improved impressively in order to attain higher return on investment.

CONCLUSION

It is concluded that Ultra tech cement sales are continuously shows up and downs during the study period and Net profits showing growth and Returns on capital employed showing growth during the study period. The company ability to manage the assets for generation of sales has improving during the study period.

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