

A Study on Funds Flow Statement

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ABSTRACT

Fund flow statement is a statement showing sources and application of funds for a period of time. • Fund flow statement is one of the valuable tool in the hand of management to evaluate the uses of funds by the organisation and in determining as to how these uses are financed. • Fund flow statement is statement which discloses the analytical information about the different sources of fund and the application of the same in the specific accounting cycle. • In other words, it incorporates those transactions which change either the amount of current assets or current liabilities (in the form of increased or decreased working capital) or fixed assets, long-term loans and equity capital. • Fund flow statement is also called the 'Statement of Sources and Application of Fund 'Movement Funds Statement'. • Fund flow statement attempts at providing a link in the completion of final statements. • Fund flow statement is a statement in summary form that indicates the changes occurring in items of financial condition between two different balance sheet dates.

KEYWORDS: *working capital, funds from operations, Adjusted profit and loss, statement of sources and applications*

INTRODUCTION

The funds flow statement is a report on the movement of funds. It explains how working capital raised and used during an accounting period.

“A statement showing the sources and applications of the funds known as Funds Flow statement .”

“A statement of sources and applications of funds is a technical device designed to analyse the changes in the financial condition of a business enterprise between two dates”.

Need for the study

- The study helps to know the inflows and outflows of funds at Anantha PVC Pipes Pvt ltd.

Scope of the study

- The study on funds flow statement at Anantha PVC pipes pvt ltd is for the period of 5 years i.e., from 2015-2020.

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Objectives of the study

- To study the changes in working capital of Anantha pvc pipes pvt Ltd, Anantapuramu.
- To analyze the funds from operations in Anantha pvc pipes pvt Ltd, Anantapuramu.
- To know the sources and applications of funds in Anantha pvc pipes pvt Ltd.

Research methodology

SECONDARY DATA:

The study is based on secondary data. It was collected from the company annual reports, websites and journals.

Limitations

- The study is limited to Anantha PVC pipes pvt Ltd, Hampapuramu, Anantapuramu.
- This study is limited to the 5 years data i.e., from 2015-2016 to 2019- 2020.

Statement showing changes in working capital for the year ended 31st march 2016(in crores)

Particulars	2015	2016	Increase	Decrease
A)Current Assets				
Inventory	39.177	27.525		11.652
Sundry Debtors	32.508	26.200		6.308
Cash and Bank	4.544	16.698	12.154	
Other Current Assets	3.214	3.322	0.108	
Total current assets	79.443	73.745		

Particulars	2015	2016	Increase	Decrease
Current liabilities:				
Sundry creditors	31.638	26.762	4.876	
Provisions	0.343	0.403		0.06
Other current liabilities	11.639	8.604	3.035	
Total current liabilities	43.620	35.769		
Net working capital	35.823	37.976		
Changes in working capital	2.153			
Total	37.976	37.976		

ADJUSTED PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 2016

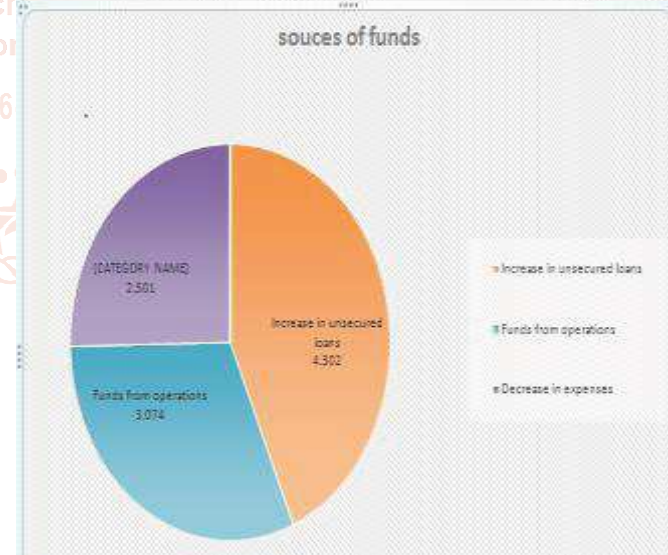
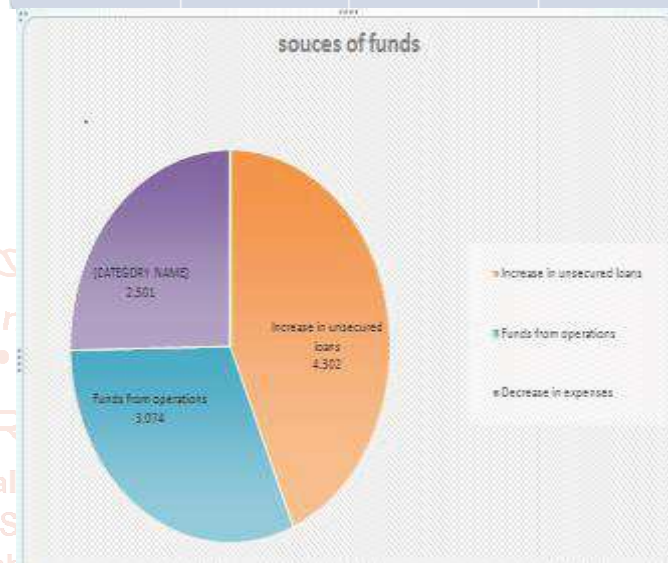
Particulars	Amount (in crores)	Particulars	Amount (in crores)
To preliminary expenses	2.266	By Balance b/d	3.026
To Depreciation	3.096	By Funds from operation	3.074
To Balance c/d	0.738		
Total	6.100	Total	6.100

Interpretation:

The working capital of 2016 increased to the extent of Rs.2.153(in crores) than in 2015. In the year 2015-16 trading profit of Rs.3.074 (in Crores).

STATEMENT OF SOURCES AND APPLICATIONS OF FUNDS FOR THE PERIOD 2015-16

Sources	Amount (in crores)	Applications	Amount (in crores)
Increasing unsecured loans	4.302	Increase in working capital	2.153
Funds from operations	3.074	Fixed assets purchased	0.739
Decrease in expenses	2.501	Payments	1.034
		Decreased in secured loans	5.951
Total	9.877	Total	9.877



Interpretation:

- In the year 2015-2016 the flows of funds were contributed by increase in working capital fixed assets, and loans.
- The total circulation of funds is Rs.9.877 Crores.

Statement showing changes in working capital As on 31st march 2017(in crores)

Particulars	2016	2017	Increase	Decrease
A)Current Assets				
Inventory	27.525	11.932		15.593
Sundry Debtors	26.199	20.116		6.083
Loans and Advances	3.322	3.388	0.066	
Cash and Bank balance	16.698	6.290		10.408
Total current assets	73.744	41.726		

Particulars	2016	2017	Increased	Decreased
Current liabilities:				
Sundry creditors	35.366	28.285	7.081	
Provisions for taxation	0.403	0.665		0.262
Total current liabilities	35.769	28.950		
Net working capital	37.975	12.276		
Changes in working capital		25.699	25.699	
Total	37.975	37.975	32.346	32.346

ADJUSTED PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 2017

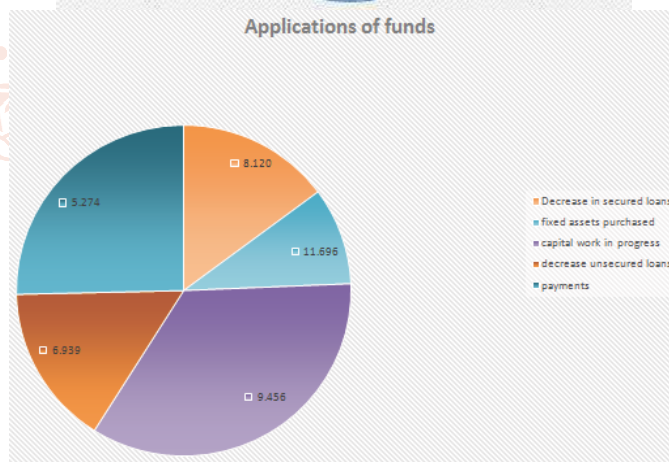
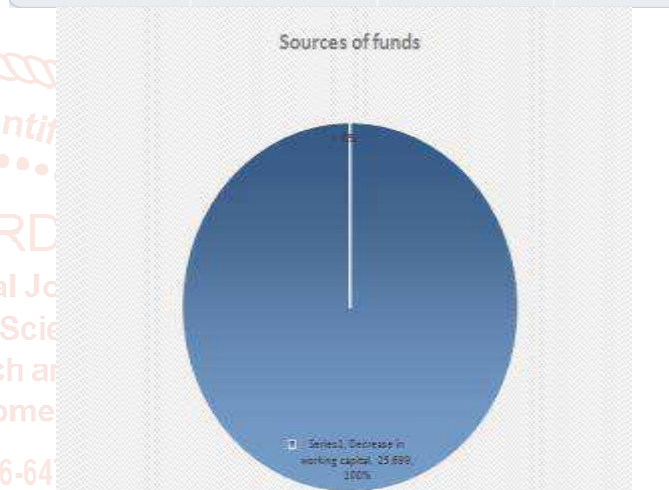
Particulars	Amount (in crores)	Particulars	Amount (in crores)
To preliminary expenses	3.943	By Balance b/d	0.738
To Depreciation	5.450	By Fund from operations	15.786
To Capital reserve	2.594		
To deferred tax	3.465		
To Balance c/d	1.072		
Total	16.524	Total	16.524

Interpretation:

The working capital of 2017 has decreased to Rs.25.699(in crores).In the year 2016-2017 trading profit is Rs.15.786(in crores).

STATEMENT OF SOURCES AND APPLICATIONS OF FUNDS FOR THE PERIOD 2016-2017

Sources	Amount (in crores)	Applications	Amount (in crores)
Decrease in working capital	25.699	Fixed assets purchased	11.696
		Decreased in secured loans	8.120
		Capital work in progress	9.456
		Decrease in unsecured loans	6.939
		Funds from operations	15.786
		Payments	5.274
Total	25.699	Total	25.699



Interpretation:

- In the year 2016-2017 the flow of funds were contributed by decrease in working capital, fixed assets, and loans.
- The total circulation of funds is Rs.25.699 crores.

Statement showing changes in working capital As on 31st march 2018 (in crores)

Particulars	2017	2018	Increase	Decrease
A)Current Assets				
Inventory	11.93	52.94	41.007	
Sundry receivables	3.388	14.627	11.239	
Sundry Debtors	20.116	40.986	20.869	
Cash and Bank balance	6.290	4.474		1.815
Total current assets	41.724	113.027		

Particulars	2017	2018	Increased	Decreased
Current liabilities:				
Sundry creditors	28.285	50.525		22.24
Provisions for taxation	0.665	5.727		5.062
Total current liabilities	28.950	56.252		
Net working capital	12.774	56.775		
Changes in working capital	44.001			44.001
Total	56.775	56.775	7311.73	7311.73

ADJUSTED PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 2018

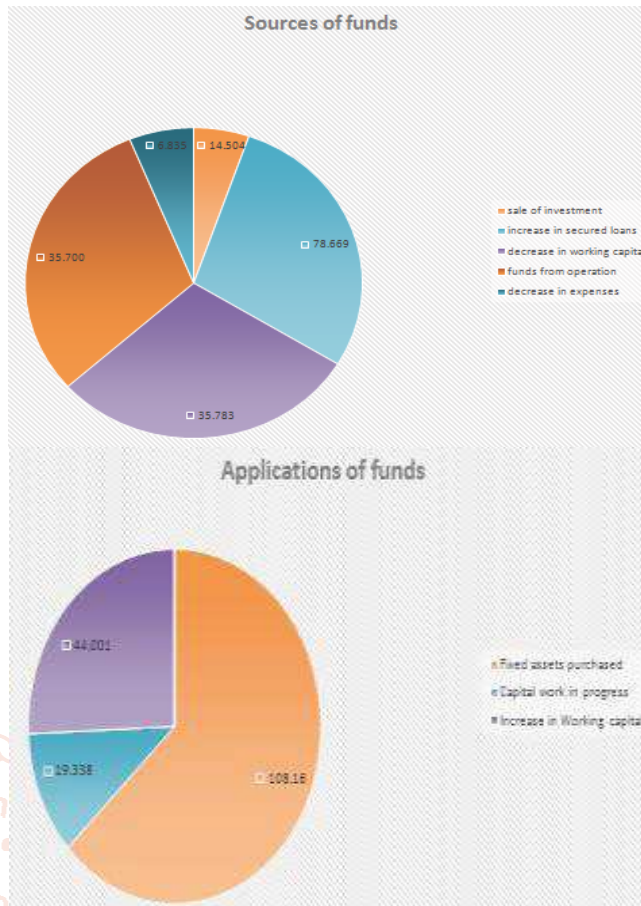
Particulars	Amount (in crores)	Particulars	Amount (in crores)
To preliminary expenses	11.599	By Balance b/d	1.072
To Depreciation	7.994	By Funds from operation	35.700
To capital reserve	6.490		
To differed tax	8.506		
To Balance c/d	2.183		
Total	36.772	Total	36.772

Interpretation:

The working capital of 2018 has increased to Rs.44.001(in crores).In the year 2017-18 trading profit is Rs.35.700(in crores).

STATEMENT OF SOURCES AND APPLICATIONS OF FUNDS FOR THE PERIOD (2017-2018)

Sources	Amount (in crores)	Applications	Amount (in crores)
Sale of investment	14.504	Fixed assets purchased	108.16
Increase in secured loans	78.669	Capital work in progress	19.338
Increase of unsecured loans	35.783	Increase in working capital	44.001
Funds from operations	35.700		
Differed tax Assets	6.835		
Total	171.490	Total	171.490



Interpretation:

- In the year of 2017-2018 the funds were increased in working capital, fixed assets.
- The total circulation of funds is Rs.171.490(in crores).

Statement showing changes in working capital As on 31st march 2019 (in crores)

Particulars	2018	2019	Increase	Decrease
A)Current Assets				
Inventory	52.940	70.751	17.811	
Sundry receivables	14.627	16.167	1.54	
Sundry Debtors	40.986	71.978	30.992	
Cash and Bank balance	4.474	2.477		1.997
Total current assets	113.027	161.373		
Particulars	2018	2019	Increased	Decreased
Current liabilities:				
Provisions for taxation	5.727	5.999		0.272
Other current liabilities	50.525	80.765		30.24
Total current liabilities	56.252	86.764		
Net working capital	56.775	74.609		
Changes in working capital	17.834			17.834
Total	74.609	74.609	5034.35	5034.35

ADJUSTED PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 2019

Particulars	Amount (in crores)	Particulars	Amount (in crores)
To preliminary expenses	12.009	By Balance b/d	2.183
To Depreciation	7.689	By Funds from operation	35.248
To capital reserve	5.430		
To differed tax	9.076		
To Balance c/d	3.227		
Total	37.431	Total	37.431

Interpretation:

The working capital of 2018 has also increased to Rs.17.834(in Crores). than in 2017.In the year 2017-2018 trading profit of Rs.35.248(in crores).

STATEMENT OF SOURCES AND APPLICATIONS OF FUNDS FOR THE PERIOD (2018-2019)

Sources	Amount (in crores)	Application	Amount (in crores)
Funds from operations	35.248	Fixed assets purchased	21.368
Increase in secured loans	1.632	Capital work in progress	33.624
Increased in unsecured loans	41.841	Payments	5.896
		Increase in working capital	17.833
Total	78.721	Total	78.721



Interpretation:

In the year 2018-19 the flows of funds were contributed by Increase in working capital, fixed assets, loans. the circulation of funds is Rs. 78.721 crores.

Statement showing changes in working capital As on 31st march 2020 (in crores)

Particulars	2019	2020	Increase	Decrease
A)Current Assets				
Inventory	70.751	91.940	21.189	
Sundry Debtors	71.978	67.065		4.913
Cash and Bank balance	2.477	3.506	1.029	
Loans and advances	16.167	20.704	4.537	
Total current assets	161.373	183.215		
Current liabilities:				
Current liabilities	80.904	92.021		11.117
Provisions	5.861	3.544	2.317	
Total current liabilities	86.765	95.565		
Net working capital	74.608	87.65		
Changes in working capital	13.042			13.042
Total	87.65	87.65	29.072	29.072

ADJUSTED PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 2020

Particulars	Amount (in crores)	Particulars	Amount (in crores)
To preliminary expenses	4.372	By Balance b/d	3.227
To Depreciation	6.485	By Funds from operation	14.791
To capital reserve	3.883		
To Balance c/d	3.278		
Total	18.018	Total	18.018

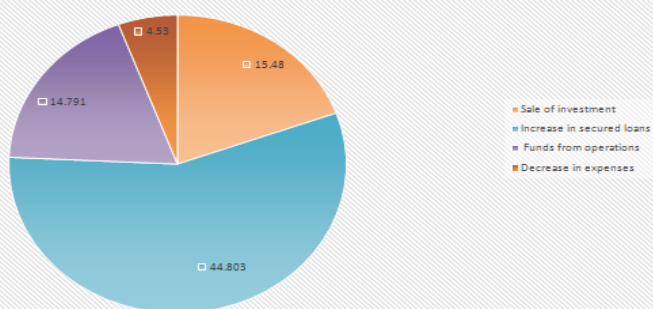
Interpretation:

The working capital of 2020 has increased Rs.13.042(in crores) than in 2019. In the year 2019-2020 Trading profit is Rs.14.791 (in Crores).

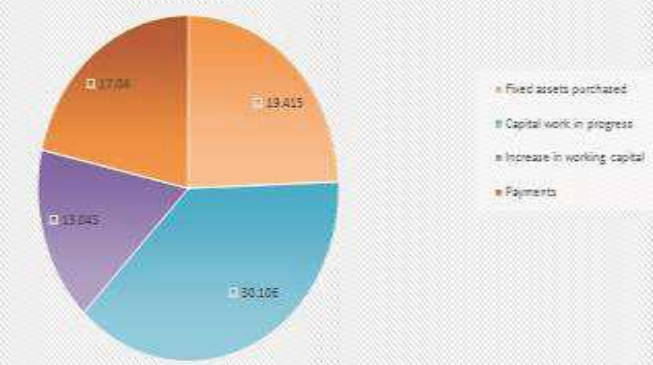
STATEMENT OF SOURCES AND APPLICATIONS OF FUNDS FOR THE PERIOD (2019-2020)

Sources	Amount (in crores)	Applications	Amount (in crores)
Sale of investment	15.480	Fixed assets purchased	19.415
Increase in secured loans	44.803	Increase in working capital	13.043
Funds from operations	14.791	Capital work in progress	30.106
Decrease in expenses	4.53	Payments	17.04
Total	79.604	Total	79.604

Sources of funds



Applications of funds



Interpretation:

- In the year 2019-20 the flows of funds were contributed by increase in working capital. The circulation of funds is Rs.79.604 (in crores).

Statement showing changes in working capital:

Year	Increase/decrease in WC	Amount (in Crores)
2015-2016	Increase	2.153
2016-2017	Decrease	-25.699
2017-2018	Increase	44.001
2018-2019	Increase	17.834
2019-2020	Increase	13.042

Working capital



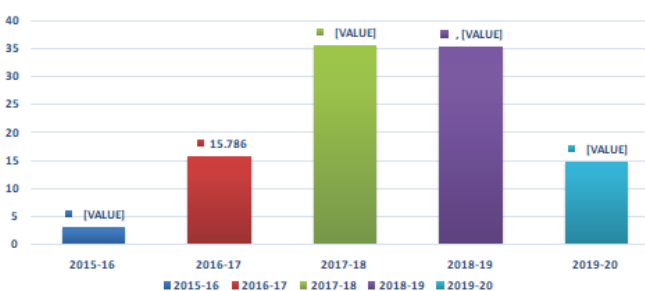
Interpretation:

In the 2015-2016, it decreases in the Working capital then it increase in the year 2017-2018 and again increase in the year 2018-2019.

FUNDS FROM OPERATIONS

YEAR	AMOUNT(in Crores)
2015-2016	3.074
2016-2017	15.786
2017-2018	35.700
2018-2019	35.248
2019-2020	14.791

Funds from operations



Interpretation:

This chart represent funds from operations in the year 2015-16 increasing the funds from operations then decreasing and again increasing in the year 2019-20.

Findings

- In the year 2015-16 the flows of funds were contributed by increase in working capital, fixed assets, and loans. The circulation of funds in Rs. 9.877crores.
- In the year 2016-17 the flows of funds were contributed by decrease in working capital, fixed assets, loans. The circulation of funds is Rs. 25.699 crores.
- In the year 2017-18 the flows of funds were contributed by increase in working capital, fixed

assets, loans. The circulation of funds is Rs. 171.490 crores.

- In the year 2018-19 the flows of funds were contributed by increase in working capital, fixed assets, loans. The circulation of funds is Rs.78.721 crores.
- In the year 2019-20 the flows of funds were contributed by increase in working capital, fixed assets, loans. The circulation of funds is Rs.79.604crores.

Conclusion

Funds were utilized for financing the working capital requirements. The study revealed the trend of applications and sources of funds in respect of secured and unsecured loans. Except of the first year the study period it is observed that the funds from

operations is in loss. It generated in application of total funds.

SUGGESTIONS

- It can be suggested that better utilization of sources of funds for getting maximum benefits.
- It can be suggested that efficient of assets utilization for revenue generation.
- Steps should be initiated in order to cut down the expenses of the company which are found to the maximum in all the years of study

Reference:

- [1] M.Y. Khan and P.K. Jain : Financial Management
- [2] Prasanna Chandra : Financial Management
- [3] I.M. Pandey : Financial Management

