

A Study on Funds Flow Analysis of Vital Pvt. Ltd., Tada

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ABSTRACT

Finance is the lifeblood of every business activity without which the wheels of modern business organization system cannot be greased. Finance management is managerial activity, which is concerned with planning and controlling of the firm's financial Resources. Finance is a scarce resource and it has to be managed efficiency for the successful functioning of any company. Several companies have come to grief mainly because of inefficient management of finance, in spite of other favourable conditions. This study explains the funds flow statement analysis of vital pvt. Ltd., Tada.

KEYWORDS: Funds Flow Analysis, working capital, financial position

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INTRODUCTION

Finance is the lifeblood of every business activity without which the wheels of modern business organization system cannot be greased. Finance management is managerial activity, which is concerned with planning and controlling of the firm's financial Resources. Finance is a scarce resource and it has to be managed efficiency for the successful functioning of any company. Several companies have come to grief mainly because of inefficient management of finance, in spite of other favourable conditions.

The funds flow statement is a statement which shows the movement of funds and is a report of 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 applications of funds.

The funds flow is designed to analyze the changes in the financial condition of a company between two periods. This statement will highlights the sources from which funds are received and the uses to which these have been put and it enables to know with

reasons the basic causes of changes in net working capital. This statement is also termed as "Statement of changes in the financial position on working capital basis".

Funds flow statement is an important tool and is widely used in the hands of financial analysts and managers for analyzing the financial management of a company. Funds keep on moving in a business, which itself based on going concern concept. In a narrow sense, it means inflow and out flow of cash only and a flow statement prepared on this basis is called as "cash flow statement".

Definition:

"A statement of sources and Application of Funds is a technical device designed to analyze the changes in the financial condition of a business enterprise between two dates".

---R. A. Foulk

Uses-of Funds Flow Analysis:

It helps in the analysis of financial operations.

It throws light on many perplexing questions of general interest.

It helps in the formation of a realistic dividend policy.

It helps in the proper allocation of resources.

It acts as a future guide.

Advantages of the Funds Flow Statement:

- It provides information about how funds are obtained and how they are put to actual use.
- It registers changes in the flow of funds during a given period of time.
- It is supplementary to the conventional financial statements.
- It indicates how funds are generated from the different financial resources of a corporation and how the reservoir of its assets is created. In other words, it depicts changes in the financial structure of the corporation.
- It is an important tool in the hands of the financial manager in the process of decision making.
- It determines the financial consequences of business operations. It explains why in spite of making profits a corporation is illiquid position.
- Indicates how funds are generated from the different financial resources of a corporation and how the reservoir of its assets is created. In other words it depicts changes in the financial structure of the corporation.
- It is an important tool in the hands of the financial manger in the process of decision making.
- It determines the financial consequences of business operations. It explains why in spite of making profits a corporation is illiquid position.
- It enables the financial manager to obtain answers to a number of questions regarding the amount of loan requirements the purposes for which it may be required the terms of repayment the source of repayment etc.
- It may enable the financial manger to allocate resources to productive investments. It is closely related to the normal business decision making process accounting statements balance sheets and income statements and is related to a time span.
- It any enable the management to take decisions on planning a dividend policy on challenge out a programmed of the financial re-organization.

Limitations of funds Flow Analysis:

- It is essentially historic in nature and projected funds flow statement cannot be prepared with much accuracy.
- It cannot be reveal continues changes.

- It is not an original statement but simply a re - arrangement of data given in the financial statements.

Need for the study:

The sources of funds for a business could be from both the long term and short term. Any business to survive and growth in the competitive market, funds are needed not only to meet its long-term financial needs but also short-term requirements. The long-Term sources comprising of share capital, long term debt inclusive of debentures etc., while the short term sources comprises of the short term loans, working capital collection from commercial banks, loans from the call money market and among these fall the sales which has two phases the cash sales and the credit sales.

- The help of funds flow statements to evaluate the pattern of the firm.
- The funds flow reveals clearly the causes for the financial difficulties of the company.
- With the help of the funds flow statements we can estimate the cash balance of the company.

Objectives of the study:

To study the working capital position of the company Vital Paper Pvt Ltd

- To examine the financial position of the company.
- To identify the sources and application of funds in the organization.
- To study the working capital position of the company.
- To examine the reasons for changes in the liabilities, assets or equity capital in the study area.

Scope of the study:

This study refers to only individual enterprise i.e., Vital Paper Pvt Ltd. In fact, an examination of all components of Current Assets will enable to Asses the efficiency of working capital management as all these components are interrelated.

This study is on Funds Flow position in the company. It is based on two statements namely (1) Schedule of changes in Working capital and (2) Funds Flow statement.

The scope of the study is to find out how assets and liabilities are maintained. it is through the Balance sheet of the company, for the periods, years 2017-2018, 2018-2019, 2019-2020, 2020-2021 and 2021-22.

It has proposed to study the sources & Application of funds in Vital Paper Pvt Ltd, for 5 years i.e., from the

financial years 2017-2018, 2018-2019, 2019-2020, 2020-2021 and 2021-22.

Research methodology:

The methodology employed for doing the present study is that the information is collected from primary and secondary sources. The information was used to calculate the funds flows on the basis of these analysis interpretations were made.

DATA SOURCES

There are two types of sources are there for data collection. They are

- Primary data
- Secondary data

Sources of data collection.

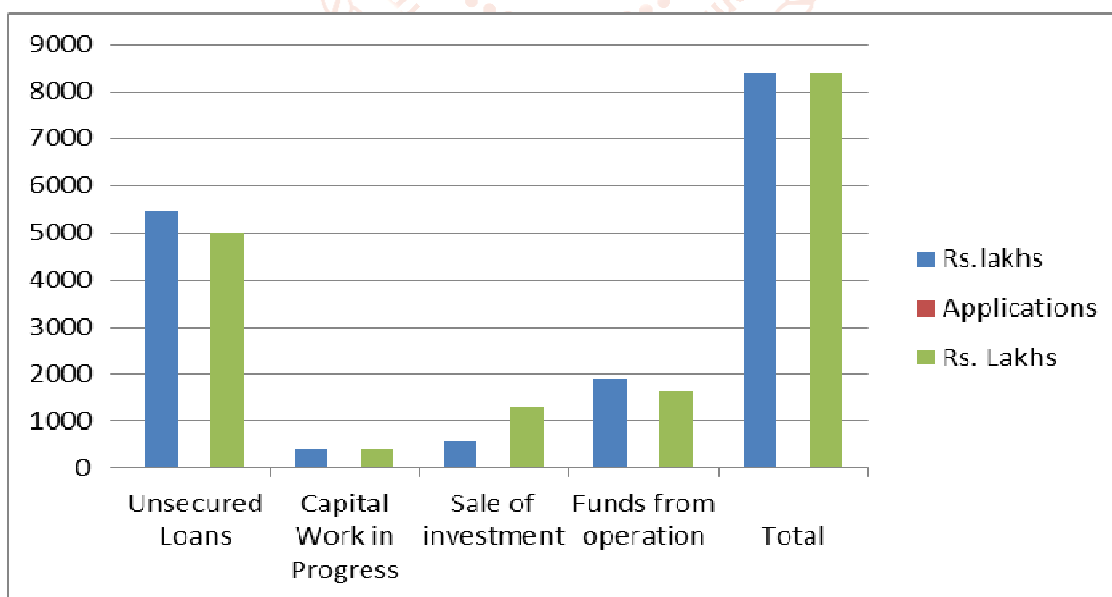
Primary data:

Primary data is the data which are collected originally are at first time the researcher. It does not exist already in records and publications. The primary data useful to gather the present working conditions of the employees. T is collected by the technique of

Data Analysis:

FUNDS FLOW ANALYSIS FOR THE YEAR ENDED 2021-2022

Sources	Rs. lakhs	Applications	Rs. Lakhs
Unsecured Loans	5480.37	Purchase of Fixed Asset	5014.03
Capital Work in Progress	411.07	Income tax paid	424.17
Sale of investment	589.83	Increase in Working Capital	1304.24
Funds from operation	1903.36	Secured loans paid	1641.54
Total	8384.63		8384.63



Interpretation:

From observing the above table we can see that working capital is increased by Rs1304.24 lakhs ,because inventory ,sundry debtors and cash and bank is increased from 2017-18 to 2018-19. The transferred Rs 188.32 lakhs additional to reserves and surplus in 2021-22.

interview method with the official of the organization. The data thus collected is about the history and accounting policies of the organization and financial statements like profit & loss account and balance sheet.

Secondary Data:

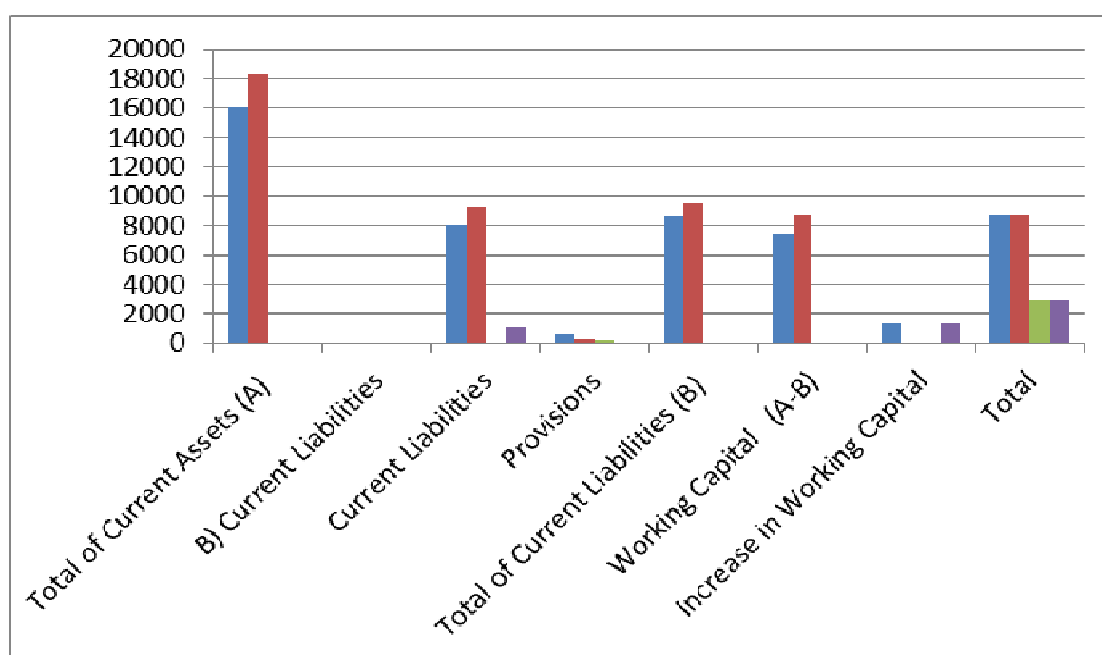
The data which is collected from the published sources of journals, magazines, annual report books, are called secondary data

Limitations of the study:

1. The study based on the data given by the officials and reports of the company, the confidentiality of some facts and figures are also one limitation.
2. This study is based on past only 5 years financial information.
3. The project duration limited period that is two months only.
4. The study is based on the facts and figures provided by the company and obtained from the company annual reports.

STATEMENT OF CHANGES IN WORKING CAPITAL FOR THE YEAR ENDED 2021-2022
(Rs in lakhs)

Particulars	2021	2022	Increase (+)	Decrease (-)
A) Current Assets				
Inventories	7075.18	9194.04	2118.90	
Sundry Debtors	7197.89	6706.59	-	491.30
Cash and Bank	247.72	350.67	102.95	-
Loan and advances	1616.75	2070.42	453.67	-
Total of Current Assets (A)	16137.54	18321.72		
B) Current Liabilities				
Current Liabilities	8090.45	9202.11		1111.66
Provisions	586.14	354.42	228.72	
Total of Current Liabilities (B)	8676.59	9556.53		
Working Capital (A-B)	7460.95	8765.19		
Increase in Working Capital	1304.24	-		1304.24
Total	8765.19	8765.19	2907.20	2907.20



Findings:

- By seeing the statement of changes in working capital prepared in 2017 to 2018. working capital has been increased by 215.17 lakhs. Company utilized 100% internal funds.
- By seeing the statement of changes in working capital prepared in 2018 to 2019. It is observed that working capital has been decreased to Rs 2519.97 lakhs. The company is still running in losses.
- By seeing the statement of changes in working capital prepared in 2019 to 2020. working capital has been increased to 4400.02 lakhs. The company outcome from losses and started gaining profits.
- By seeing the statement of changes in working capital prepared in 2020 to 2021. Working capital has been increased to Rs 1783.28 lakhs. The company transferred to reserves and surplus in 2021 to 2022 is Rs 1644.56 lakhs.

- By seeing the statement of changes in working capital prepared in 2021 to 2022. Working capital has been increased to Rs 1303.44 lakhs. The additional amount transferred to reserves and surplus is Rs 188.32 lakhs.

Suggestions:

- A fresh look into the extension of product line.
- Steps should be initiated in order to cut down the expenses of the company which are found to affect to the maximum in all the years of study.
- Efficient of assets utilization for revenue generation is suggested.
- Improving the sales performance is desirable. For this, a dynamic team should be designed, which can project the company by its extensive and result oriented marketing activities enabling the company to complete internal markets.
- Better utilization of sources of funds is suggested for getting maximum benefits.

Conclusion:

The conclusion are arrived at based on the Observations made on the present study except of the first year the study period it is observed that the fund for operation is on loss. It generated the funds in application of total funds. Except of the first two year of the study of period, funds were utilized for financing the working capital need. The study revealed a mixed trend of application and sources of funds in respect of Secured and unsecured loans.

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