A STUDY ON FIXED ASSETS MANAGEMENT

A.HARITHA, 2K. DIVYA

1MBA Student, 2Assistant Professor

DEPARTMENT OF MBA

DRK INSTITUTE OF SCIENCE AND TECHNOLOGY, HYDERABAD

ABSTRACT

Fixed asset, also known as a non-current asset or as property, plant, and equipment (PP&E), is a term used in accounting for assets and property which cannot easily be converted into cash. This can be compared with current assets such as cash or bank accounts, which are described as liquid assets. In most cases, only tangible assets are referred to as fixed.

Moreover, a fixed/non-current asset can also be defined as an asset not directly sold to a firm's consumers/end-users. As an example, a baking firm's current assets would be its inventory (in this case, flour, yeast, etc.), the value of sales owed to the firm via credit (i.e. debtors or accounts receivable), cash held in the bank, etc. Its non-current assets would be the oven used to bake bread, motor vehicles used to transport deliveries, cash registers used to handle cash payments, etc. Each aforementioned non-current asset is not sold directly to consumers.

These are items of value which the organization has bought and will use for an extended period of time; fixed assets normally include items such as land and buildings, motor vehicles, furniture, office equipment, computers, fixtures and fittings, and plant and machinery. These often receive favorable tax treatment (depreciation allowance) over short-term assets. According to International Accounting Standard (IAS) 16, Fixed Assets are assets whose future economic benefit is probable to flow into the entity, whose cost can be measured reliably. 

Many organizations face a significant challenge to track the location, quantity, condition, maintenance and depreciation status of their fixed assets. A popular approach to tracking fixed assets utilizes serial numbered Asset Tags, often with bar codes for easy and accurate reading. Periodically, the owner of the assets can take inventory with a mobile barcode reader and then produce a report.

1. INTRODUCTION

Fixed Assets are the assets held with the intention of being used on continuous basis for the purpose of producing or providing goods or services and are not held for resale in the normal course of business. E.g.: Land and Buildings, Plant and Machinery, Motor Vehicles, Furniture and Fixtures.

Valuation of fixed assets is important 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 many other reasons. A portion of fixed assets are reduced by usage are converted into cash through charging depreciation. For correct measurement of income, proper measurement of depreciation is essential, as depreciation constitutes a Part of total cost of production.

Financial transactions are recorded in the books, keeping in view the going concern aspect of the business unit. In going concern aspect it is assumed that the business unit has reasonable expectation of continuing the business for a profit for an indefinite period of time. 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 value.

It is useless to record the fixed assets in the balance sheet at their estimated realizable values if there is no
immediate expectation of selling them. So, they are shown at their book value (i.e., Cost – Depreciation) and not at current realizable value. The market value of the fixed assets may change with the passage of time, but for accounting purpose it continues to be shown in the books in historical cost.

The cost concept of accounting states that depreciation calculated on the basis of historical cost of old assets is usually lower than the amount calculated at current value/ replacement value. These results in more profits, which if distributed in full will lead to reduction in capital.

FIXED ASSETS MANAGEMENT CYCLE
The fixed assets management cycle is the cycle of activities from the acquisition of the asset to the final disposition of the assets at the end of their useful life. The cycle has 7 steps:

Acquisition: The cycle begins with the acquisition, purchase, gift or otherwise, of an asset and the determination that the asset is to be capitalized. To be capitalized the asset has to meet the agency’s capitalization limit and have a useful life of one year or more.

Receiving: The asset is formally received and accepted by the agency. Receipt may be verified by entry into an automated purchasing system or by hard copy document. In the case of donated fixed assets, receipt can be verified by a letter to the donor.

Payment: Payment is made for the asset according to the terms of the purchase order or recognition of acceptance of a gift to the donor. The payment includes the acquisition cost, freight and all other costs to put the asset. Acquisition cost of donated fixed assets is determined by its fair market value.

Identification: The asset is identified as an asset, tagged or otherwise identified and entered into the fixed assets management inventory system. Assets are identified with a permanently attached identification tag, etching or by painting on the identification number.

Inventory: The longest step in the cycle. The asset is used over its useful life. Assets are inventoried and accounted for during this step until they are no longer needed. The agency’s policies and procedures determine the inventory interval.

Excess: the asset is declared as excess to the user’s needs. The asset may be transferred to another user where it will continue to be used, accounted for and inventoried. Assets may be declared as excess more than once until the asset is no longer needed.

Surplus: the last step in the fixed assets management cycle. The asset is declared to be surplus property and to have no further value to the agency. The asset is disposed of by sale or discarding depending on the residual value. Sale can be by auction, sealed bid, spot sale, or through a sales store.

FIXED ASSETS MANAGEMENT CYCLE
Need for valuation of fixed assets:
1. The valuation of fixed assets is important to obtain a reasonable profit or loss and the financial position in question.
2. Fixed assets are intended to be used for many years. The value of these assets decreases with their use, over time or for other reasons. Some of the fixed assets that have been amortized through use are transferred to cash, although depreciation charges are charged. For the correct measurement of income, it is necessary to correctly measure consumption, where consumption is part of the total cost of production.
3. The analysis of trends and the analysis of proportions are the methods used in the analysis of management of fixed assets.

OBJECTIVES OF THE STUDY:
- The study was conducted to determine the amount of capital expenditures incurred by the company during the study period.
- The study was conducted to evaluate the consumption and consumption method adopted by ICICI.
- Maximum profit maximization is not an essential idea to make investment and financial decisions through the administration of fixed assets.
• The study that is being evaluated yields adequate returns to the company.
• The study was carried out to evaluate that in case of liquidation of fixed assets. What proportion of the fixed assets will contribute to the payment of the owner's money and long-term obligations?

LIMITATIONS:
• The duration of the study is 45 days as stipulated in the Ottoman University.
• The study is limited to the history and information provided by ICICI BANK and its reports.
• The status and location of fixed assets in ICICI will not be reported. It may vary from time to time and situation to another.
• Report This report is not useful for investing in the ICICI BANK. Either through investments or the capital market.
• Accounting principles and other accounting principles are limited due to changes in the company and the performance of fixed assets may vary

II. RESEARCH METHODOLOGY
Sources of Data:
After examining different methods of data collection, it was decided that the primary and secondary data were appropriate for this survey.
Primary Data:
The initial data was collected primarily with interactions and discussions with the company's executives.
Secondary Data:
The method of data collection depends only on the sources.
• content the theoretical content is collected from a reference book and a library in ICICI BANK.
• Financial data and financial information are obtained from the annual reports of the company's internal records.
• The interpretation, conclusions and suggestions are based solely on my opinion and on the suggestions of the Project Guide.

III. DATA ANALYSIS AND INTERPRETATION

<table>
<thead>
<tr>
<th>YEAR</th>
<th>INVESTMENT</th>
<th>TREND PERCENTAGE</th>
</tr>
</thead>
<tbody>
<tr>
<td>2011-14</td>
<td>41,28,06,232</td>
<td>100</td>
</tr>
<tr>
<td>2014-15</td>
<td>44,85,21,386</td>
<td>108.65</td>
</tr>
<tr>
<td>2015-17</td>
<td>39,68,35,265</td>
<td>96.15</td>
</tr>
<tr>
<td>2017-18</td>
<td>24,99,02,930</td>
<td>60.54</td>
</tr>
<tr>
<td>2018-19</td>
<td>28,19,24,444</td>
<td>68.29</td>
</tr>
</tbody>
</table>

Growth rate of Investment Trend Percentage

2. GROWTH RATE IN FIXED ASSETS

<table>
<thead>
<tr>
<th>YEAR</th>
<th>FIXED ASSETS</th>
<th>PERCENTAGE</th>
</tr>
</thead>
<tbody>
<tr>
<td>2013-14</td>
<td>6,07,94,08,271</td>
<td>100</td>
</tr>
<tr>
<td>2014-15</td>
<td>6,25,64,02,873</td>
<td>102.91</td>
</tr>
<tr>
<td>2015-17</td>
<td>5,39,55,39,377</td>
<td>96.97</td>
</tr>
<tr>
<td>2017-18</td>
<td>5,69,39,08,585</td>
<td>93.74</td>
</tr>
<tr>
<td>2018-19</td>
<td>5,71,48,06,416</td>
<td>94.00</td>
</tr>
</tbody>
</table>
INTERPRETATION:
Growth rate of fixed assets, the above examination table reveals analysis and interpretation.
1. During 2013-2014, the investment assets registered 6,07,94,08,271 and fell to Rs 5,71,48,37,436 in 2017 = 2019 The investment in fixed assets is quite satisfactory.
2. The trend indicator in the base year 2013-2014 was considered 100% and fell to 94.00% in 2018-2019
3. Average growth rate of fixed assets Rs.5, 92, 90,306 in 5 years

FINDINGS
- The company should focus on the long-term assets used in the working capital problem and will not arise in the future.
- The company should focus on inventory, where it can improve inventory delivery.
- Growth rate of investment trend rate, and growth rate of fixed assets.
- The rate of growth in fixed assets during the years 2014-2015 rose to 6.25,64,02.873.
- Assets Fixed assets in net worth are good position in ICICI BANK.
- Assets The highest ratio of fixed assets to long-term liabilities is 184.6% at the lowest rate in 2010-13 which is 182.7% in 2017-18.
- Volume of transactions the total investment volume was 51.84% in the period 18017, which is above the average rate.

SUGGESTIONS:
- With respect to fixed assets to total assets, it was noted that they were reduced from 31.5% to 46%. As a result, the ratio is said to be very satisfactory.
- As for the ratio between profits and total working capital, its rise over the year can be seen from 135857.82 to 140213.89.
- As a result of the above, the proportion is increasing. From the previous study, it can be said that the financial situation of ICICI BANK's industries in fixed assets is quite satisfactory.
- The company must maintain adequate rates.

IV. CONCLUSION
The Fixed asset management of ICICI Bank quite comfortable with a judicious mix of debt and equity. The overall assessment of financial statement signifies efficient utilization of the investments, loans and advances. The profitability of the company appears to be impressive, as judged by increase in reserves and surplus.

The management discussions and analysis by Director’s report and opinions expressed by Auditor’s report through fixed asset management statements is true and fair view in accordance with the provisions of the companies Acts, and Accounting standards.

The overall fixed asset management of the company appears to be more than satisfactory.

BIBLIOGRAPHY
- Authors name : Title of the Book, Publisher & Edition
- Prasanna Chandra : Financial Management, Tata McGrawhile
- R.K Sharma : Management Accounting Kalyani PolisheS. S.P Jain & K.L
- Narang : Financial Accounting & Analysis Kalyani Publisher
- Websites: WWW.ICICIBANKELECTRONICS.COM
- WWW.GOOGLE.COM
- News paper : Business line,
- India Today.