

CASH FLOW AND FUNDS FLOW ANALYSIS AT RELIGARE ENTERPRISES LIMITED

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ABSTRACT: Complementing the balance sheet and income statement, the cash flow statement (CFS), a mandatory part of a company's financial reports since 1987, records the amounts of cash and cash equivalents entering and leaving a company. The CFS allows investors to understand how a company's operations are running, where its money is coming from, and how it is being spent. Here you will learn how the CFS is structured and how to use it as part of your analysis of a company.

Cash flow is determined by looking at three components by which cash enters and leaves a company: core operations, investing and financing.

Fund Flow Statements summarize a firm's inflow and outflow of funds. Simply put, it tells investors where funds have come from and where funds have gone. The statements are often used to determine whether companies efficiently source and utilize funds available to them.

Fund flow statements are prepared by taking the balance sheets for two dates representing the coverage period. The increases and decreases must then be calculated for each item. Finally, the changes are classified under four categories: (1) Long-term sources, (2) long-term uses, (3) short-term sources, (4) short-term uses.

I. INTRODUCTION

In financial accounting, a cash flow statement, also known as *statement of cash flows* or *funds flow statement*, is a financial statement that shows how changes in balance sheet accounts and income affect cash and cash equivalents, and breaks the analysis down to operating, investing, and financing activities. Essentially, the cash flow statement is concerned with the flow of cash in and cash out of the business.

The statement captures both the current operating results and the accompanying changes in the balance sheet. As an analytical tool, the statement of cash flows is useful in determining the short-term viability of a company, particularly its ability to pay bills. International Accounting Standard 7 (IAS 7) is the International Accounting Standard that deals with cash flow statements.

People and groups interested in cash flow statements include:

- Accounting personnel, who need to know whether the organization will be able to cover payroll and other immediate expenses
- Potential lenders or creditors, who want a clear picture of a company's ability to repay
- Potential investors, who need to judge whether the company is financially sound
- Potential employees or contractors, who need to know whether the company will be able to afford compensation
- Shareholders of the business.

CASH FLOW STATEMENT

The cash flow statement was previously known as the flow of funds statement. The cash flow statement reflects a firm's liquidity.

The balance sheet is a snapshot of a firm's financial resources and obligations at a single point in time, and the income statement summarizes a firm's financial transactions over an interval of time. These two financial statements reflect the accrual basis accounting used by firms to match revenues with the expenses associated with generating those revenues. The cash flow statement includes only inflows and outflows of cash and cash equivalents; it excludes

transactions that do not directly affect cash receipts and payments. These noncash transactions include depreciation or write-offs on bad debts or credit losses to name a few. The cash flow statement is a cash basis report on three types of financial activities: operating activities, investing activities, and financing activities. Noncash activities are usually reported in footnotes.

The cash flow statement is intended to provide information on a firm's liquidity and solvency and its ability to change cash flows in future circumstances

1. provide additional information for evaluating changes in assets, liabilities and equity
2. improve the comparability of different firms' operating performance by eliminating the effects of different accounting methods
3. indicate the amount, timing and probability of future cash flows

The cash flow statement has been adopted as a standard financial statement because it eliminates allocations, which might be derived from different accounting methods, such as various timeframes for depreciating fixed assets

FUNDS FLOW STATEMENT

The basic financial statements i.e., the Balance Sheet and Profit & Loss A/c or Income Statement of business reveals the net effect of various transactions on operational and financial position of the company. The balance sheet gives a summary of the assets & liabilities of an undertaking at a particular point of time.

There are many transactions that take place in an undertaking and which do not operate Profit & Loss A/c. Thus another statement has to be prepared to show the change in Assets & Liabilities from the end of one period of time to the end of another period of time. The statement is called a statement of changes in financial position or a Funds Flow Statement.

The Funds Flow Statement is a statement which shown the movement of funds and is a report

of financial operations of business undertaking. In simple words it is a statement of source and application of funds.

II. NEED AND IMPORTENCE OF STUDY

Many business owners disregard the importance of cash flow statements because they unwittingly believe that their current financial standing can be construed from other financial reports and projections. Unfortunately, however, a cash flow statement is necessary to adequately assess the incoming and outgoing flow of cash and other resources in a business.

Not only will a business owner with a cash flow system be more aware of his or her financial standing, but it will also help investors to make educated decisions on future investments. A business with regular and reliable cash flow statements shows more economic solvency, and is more attractive to investors.

A cash flow statement documents the incoming and outgoing cash in plain terms. Future sales and sales made for credit (unless they have been paid off) are not included in the cash flow statement, and most of the data will come from core operations. Payables and receivables should be expressly defined, as should depreciation of product value and inventory that has not yet been moved.

This will allow a business owner to compare past periods with the current financial standing and determine whether your receivables have increased or decreased.

This can also help to track your **investments** next to your receivables and payables. Are your **investments** increasing or decreasing in value? And has your inventory moved at a steady pace? New or expanding businesses can expect to see a decrease in cash flow, but this doesn't mean that the business is going under. More stables businesses should see a steadily increase in cash flow over a period of several months or years.

There are typically five different sections in a cash flow statement, though large businesses might have more complex cash flow systems as required.

OBJECTIVES:

- To know the flow of cash in the organization **Religare Enterprises Limited (REL)**.
- access the efficiency with sources and uses of cash were made by the co ordinance the present year 2014-2012 to 2015-2016.
- To identify the changes in the elements of focus and uses of working capital in between above mentioned years.
- To improve the financial performance of the company

III. METHODOLOGY OF STUDY:

The following are the main sources of data used for this study which are Collected and compiled from published and unpublished sources of the Company data. The published sources are as follows.

- 1) Management information system published by **Religare Enterprises Limited (REL)**.
- 2) Status Report on **Religare Enterprises Limited (REL)**.
- 4) Journals, books and other published reports.

The present study is mainly based on primary and secondary sources of Data collection. The primary data was directly collected by observations, Interviews questionnaire etc.

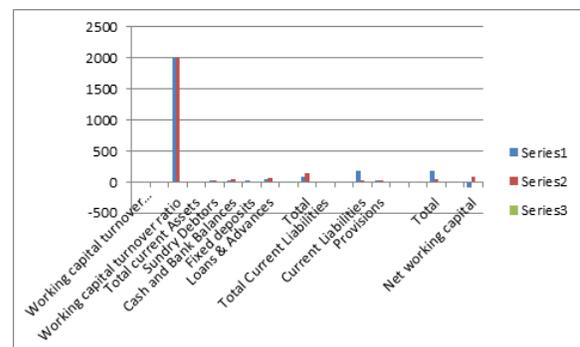
The secondary data was collected from the literate available in libraries and research studies and annual reports are related to the present study. It includes published and unpublished literature like books, reports and generally Articles of the **Religare Enterprises Limited (REL)**.

IV. DATA ANALYSIS AND INTERPRETATION

Working capital Of Religare Enterprises Limited (REL)

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.

| Working capital turnover ratio 2017 | | |
|---|-----------------|-----------------|
| Working capital turnover ratio | 2016 | 2017 |
| Total current Assets | | |
| Sundry Debtors | 0.00 | 0.00 |
| Cash and Bank Balances | 26.32 | 115.71 |
| Fixed deposits | 0.00 | 0.00 |
| Loans & Advances | 162.53 | 381.17 |
| Total | 188.85 | 496.88 |
| Total Current Liabilities | | |
| Current Liabilities | 35.25 | 683.65 |
| Provisions | 1599.08 | 1601.91 |
| Total | 1634.33 | 2285.56 |
| Net working capital | -1445.48 | -1788.68 |
| Increase/decrease in net working capital | -343.20 | |

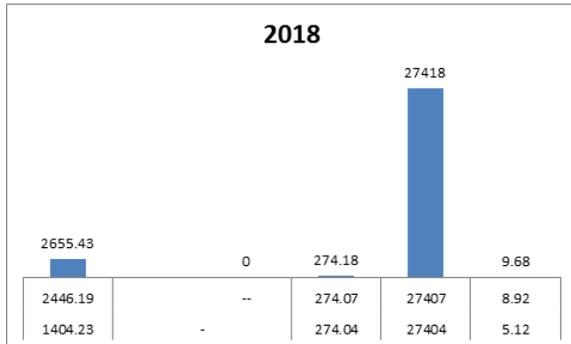


Interpretation:

The networking capital of Religare has been decreased to 343.20 Cr the financial position i.e. the performance of Religare has decreased and the current assets not defects its current liability.

NET INCREASES IN WORKING CAPITAL

| YEAR | INCREASE / DECREASE | AMOUNT |
|-----------|---------------------|---------|
| 2013-2014 | INCREASE | 81.87 |
| 2014-2015 | DECREASE | -748.19 |
| 2015-2016 | DECREASE | -697.26 |
| 2016-2017 | DECREASE | -343.20 |
| 2017-2018 | DECREASE | -485.82 |



INTERPRETATION: The above table observed that the working capital Increased. In year 2013-16 the working capital has been increased. In the year 2017-18 the working capital is Rs.-485.82 Due to the increase in current liabilities the net working capital is decreased.

V. FINDINGS

- During the period 2016-2017 more than 11.24% of the cash came from trading activities. The application of cash around 2.87% of the cash was utilized for investing in fixed assets.
- During the period 2013-2016 to 2016-2017 more than 11.87% of the cash came from trading activities. In the application of the cash around 9.67% of the cash are utilized for investing in fixed assets.
- During the period 2013-2016 to 2016-17 more than 5.67% of the cash came trading activities. In the application of the cash 7.38% of the cash are utilized for investing in fixed assets.

- During the period 2013-2016 to 2016-17 more than 32.64% of the cash came trading activities. In the application of the cash 22.87% of the cash are utilized for investing in fixed assets.
- During the period 2013-2016 to 2016-17 more than 22.54% of the cash came trading activities. In the application of the cash 46.68% of the cash are utilize for the investing in fixed assets.

SUGGESTIONS

- For the improving the financial performance of the company the following suggestions are made.
- 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. To improve the financial health of the company and maximizing the time between the source mobilization and utilization the management must introduce the new cost saving techniques.

VI. CONCLUSIONS

1. The **Religare Enterprises Limited (REL)** Net Profit is showing negative profit in the year 2016-17. This event is an expected one because since from the previous two years it is showing the decline stage in Net Profit.
2. Profit Margin of **Religare Enterprises Limited (REL)** is decreasing and showing negative profit because there is increase in the price.
3. The **Religare Enterprises Limited (REL)** Net Working Capital Ratio is satisfactory.
4. The **Religare Enterprises Limited (REL)** return on Total Assets shows a negative sign in the year 2016-17

5. The Operating Ratio of **Religare Enterprises Limited (REL)** increase in the year 2013-14 and reached in the year 2016-17 so the company has to reduce its operating costs.
6. The Operating cash of **Religare Enterprises Limited (REL)** satisfactory. Due to increase in cost of production, this ratio is decreasing. So the has to reduce its office administration expenses

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