

FUND FLOWS STATEMENT-HERO

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ABSTRACT

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.

It is also important to zero out the non-fund based adjustments in order to capture only the changes that are accompanied by flow of funds. However, income accrued but received and expenses incurred but not received reckoned in the profit and loss statement should not be excluded from the profit figure for the fund flow statement.

Fund flow statements can be used to identify a variety of problems in the way a company operates. For example, companies that are using short-term money to finance long-term investments may run into liquidity problems in the future. Meanwhile, a company that is using long-term money to finance short-term investments may not be efficiently utilizing its capital.

I. INTRODUCTION

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 shows 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.

MEANING & CONCEPT OF FUNDS

The term "Fund" has been defined and interpreted differing by different experts. Broadly the term fund refers to all the financial resource of the company on the other extreme fund has been understood as cash only. The most acceptance meaning of the "fund" is "working capital".

Working Capital is excess of current assets over current liability. The term fund has a variety of meaning.

A) CASH FUND OR NARROW SENSE

In a narrow sense, funds mean only cash. 'Cash flow statement portrays net effect of various business transactions cash into account receipts & disbursement of cash.

The concept of preparing funds from statement is not accepted, as there are many such transactions that do not affect cash but represent the flow of fund.

For Ex:

Purchase of furniture on credit does not affect cash but there is flow of fund.

B) CAPITAL FUND (or) BROADER SENSE

Here funds means all financial resources used in business, whether in the form of men, money, material, machine & others.

C). NET WORKING CAPITAL (or) POPULAR SENSE

Networking capital means differences between current assets & liabilities. A fund generally refers to cash or cash equipment or to working capital.

In any business we cannot under estimate the flow of funds from two operations. The business runs with funds but the organization knows how to flow of funds.

The Funds Flow Statement is concerned with sources and applications of organization.

Statement of changes in working capital shows the increase or decrease in the working capital.

"Funds from Operations" statement shows how much funds from operations.

NEED AND IMPORTANCE OF STUDY

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

Not only will a business owner with a Funds 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 Funds flow statements shows more economic solvency, and is more attractive to investors.

A Funds flow statement documents the incoming and outgoing Funds in plain terms. Future sales and sales made for credit (unless they have been paid off) are not included in the Funds 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 Funds flow, but this doesn't mean that the business is going under. More stable businesses should see a steadily increase in Funds flow over a period of several months or years.

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

OBJECTIVES OF THE STUDY

To know the operational efficiency of Hero MotoCorp Ltd Limited(**PHOENIX MOTORS PVT LTD**)

To study & prepare Funds Flow Statements.

- To analyze the movement of funds between the dates of two balance sheets in period of study 2011-2015.

- To identify the changes in the elements of focus and uses of working capital in between above mentioned year.
- To improve the financial performance of the company.

Research Methodology:

PRIMARY DATA

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.

SECONDARY DATA

The secondary data was collected from already published sources such as annual reports, returns and internal records.

THE DATA COLLECTION INCLUDES:

- a. Data collected from annual reports of Hero MotoCorp Ltd (**PHOENIX MOTORS PVT LTD**).
- b. Reference from textbooks relating to financial management.

RESEARCH TOOLS: Funds Flow Statement Tools of Analysis

Various statistical tools such as percentages averages were used to process the data, of effectiveness of funds flow in organization & management in Hero MotoCorp Ltd (**PHOENIX MOTORS PVT LTD**).

Research Design: Analytical Study
Data Sources : Secondary Data

SCOPE OF THE STUDY:

Financial analysis consists of ratio analysis and funds flow analysis. To know funds flow from one to one, as the time available is very limited and the subjects are very vast, the study is continued to overall financial condition of a firm. This study is to know working capital increase or decrease funds from operation, sources and application of funds of M/S Hero MotoCorp Ltd (**PHOENIX MOTORS PVT LTD**).

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LIMITATIONS OF THE STUDY:

The study is only pertaining to Hero MotoCorp Ltd (PHOENIX MOTORS PVT LTD).

The period of study is of 5 years i.e 2011-2015 and the performance evaluation is also limited to 5 years. The study is purely based on the data available the form of annual reports...

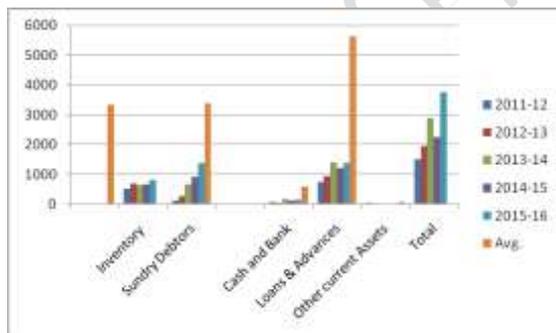
Analysis is only means and not an end itself; different people interpret the same analysis in different ways.

The over all financial performance is taken into consideration with out taking into account the minute values or individual values. This study is conducted with in a short period. The time factor is also a limitation.

II. DATA ANALYSIS AND INTERPRETATION

**Composition of current Assets
(All the amounts are in Cr)**

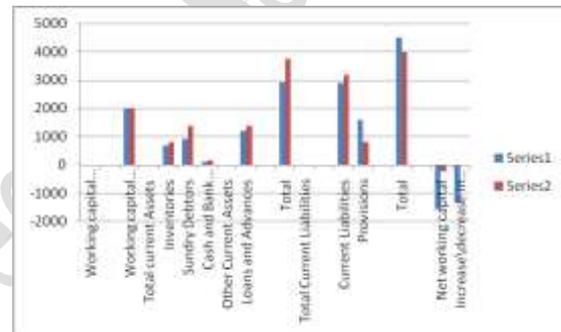
Particulars	2011-12	2012-13	2013-14	2014-15	2015-16	Avg.
Inventory	524.93	475.27	436.76	469.55	815.49	3322.3
Sundry Debtors	130.39	272.31	445.90	420.34	1589.59	3378.07
Cash and Bank	71.52	56.10	181.04	117.54	159.25	585.41
Loans & Advances	728.66	926.89	1401.85	1203.54	1378.02	5630.16
Other current Assets	48.87	20.72	0.89	0.00	0.00	
Total	1584.37	1851.29	2867.44	3211.43	3742.36	69.59



STATEMENT OF CHANGES IN WORKING CAPITAL

Rs in Crores

Working capital turnover ratio 2014		
Working capital turnover ratio	2015	2016
Total current Assets		
Inventory	469.55	815.49
Sundry Debtors	420.34	1589.59
Cash and Bank Balance	117.54	159.25
Other Current Assets	0.00	0.00
Loans and Advances	1203.54	1378.02
Total	2811.17	3742.35
Total Current Liabilities		
Current Liabilities	2003.12	3180.69
Provisions	1594.31	799.68
Total	4497.43	3,980.37
Net working capital	-1586.26	-238.02
Increase/decrease in net working capital		-1548.24



III.FINDINGS

1. The Hero MotoCorp Ltd net working capital is satisfactory between the years 2012-16 since it shows decreasing trend ; but after that it is in declining position.
2. The current assets of Hero MotoCorp Ltd is satisfactory during the period of study 2012-16 to 2015-16. It is increased but after that it is declining.
3. Fixed assets of Hero MotoCorp Ltd increased. The company has to maintain this.
4. Inventory turnover of Hero MotoCorp Ltd is also increased gradually, without any fit falls up to 2012-16. But in the year 2015-16 it is declined, and again it has increased in the year 2014-15. Good inventory management is good sign for efficient management
5. Total Assets turnover of Hero MotoCorp Ltd is not satisfactory because it is always below one, except in the year 2014-15 having a value of 1.58
6. Return on investment is not satisfactory. This indicates that the company's funds are not being utilized in a better way.

IV. CONCLUSION

The Hero MotoCorp Ltd net working capital is satisfactory between the years since it shows increasing trend; but after that it is in declining position Profit Margin of Hero MotoCorp Ltd is decreasing and showing negative profit because there is increase in the price of copper The Hero MotoCorp Ltd Net Working Capital Ratio is satisfactory.

The Operating Ratio of Hero MotoCorp Ltd isn't satisfactory. Due to increase in cost of production, this ratio is decreasing. So the has to reduce its office administration expenses Improve position funds should be utilized properly. Better Awareness to increase the sales is suggested. Cost cut down mechanics can be employed. Better production technique can be employed.

V.SUGGESTIONS

- Net working capital is very low; it is suggested to maintain sufficient net working capital.
- Effective inventory management is needed in the company
- The firm should increase investment in current assets to create sufficient securities for the current liabilities
- 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.

BIBLIOGRAPHY

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