

## **CASH FLOW STATEMENT-RELIGARE**

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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.

### **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.

### **Purpose**

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.

## **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 stable 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.

### **SCOPE OF THE STUDY:**

Since it will not be possible to conduct a micro level study of all service industries in

Andhra Pradesh, the study is restricted to **Religare Enterprises Limited (REL)** only.

A study that involves an examination of long term as well as short term sources that a company taps in order to meet its requirements of finance.

The scope of the study is confined to the sources that **Religare Enterprises Limited (REL)** tapped over the years under study i.e. 2011-2015.

## **III.OBJECTIVES:**

- To know the flow of cash in the organization **Religare Enterprises Limited (REL)**.
- To access the efficiency with sources and uses of cash were made by the co ordinance the present year 2011-2012 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

## **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 literature 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. LIMITATIONS OF THE STUDY:**

The limitations of present study are as follows:

1. The study cover a period of FIVE years from 2011-2015.
2. The study does not flow the fund.
3. The study is based mainly on secondary information.
4. The study does not touch all the units of **Religare Enterprises Limited (REL)**.
5. The present study cannot be used for inter firm comparison.
6. Limited span of time is a major limitation for this project.
7. The act and figures of the study is limited to the period of FIVE years i.e. 2011-2015.
8. The data used in reports are taken from the annual reports, published at the end of the years.
9. The result does not reflect the day-to-day transactions.
10. It is also impossible to the study of day-to-day transactions in cash management.
11. The analysis of the working capital is taken FIVE years.

#### **V. FINDINGS**

- During the period 2011-2015 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 2010-2011 to 2014-15 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 2010-2011 to 2014-15 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 2010-2011 to 2014-15 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 2010-2011 to 2014-15 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.

#### **VI. 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.

#### **VII. CONCLUSIONS**

1. The **Religare Enterprises Limited (REL)** Net Profit is showing negative profit in the year 2011-15. 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 2014-15
5. The Operating Ratio of **Religare Enterprises Limited (REL)** increase in the year 2010-11 and reached in the year 2014-15 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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