

A STUDY ON CASH FLOW STATEMENT WITH REFERENCE TO SUNDARAM FINANCE LIMITED

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ABSTRACT

A study has been carried at the sundaram finance limited to study the cash flow analysis of five years. Finance is a field that is concerned with the allocation of assets and liabilities over space and time often under conditions of risk and uncertainty.

The main objective of the study was to analyze the overall performance of liquidity position of Sundaram finance for five years. The need for the study is to know the inflow and out flow of cash in Sundaram finance it is also needed to know the liquidity position of the company and cash available to meet the urgencies. The scope of the study is used to find out the operational efficiency of the company and allocation of resources to improve the efficiency of the organization.

The type of research design that is undertaken for the study was analytical research design. The financial tools used are ratio analysis, trend analysis, cash flow analysis.

It is founded that the current liabilities are higher than the cash and bank balances. it is founded that the current assets are less than the current liabilities. it is founded that the net sales are increased than operating expenses. it is founded that the trend percentage shows that there is a variable changes in the trend. The financing activities of the cash flow is increased it means more money is flowing into the company.

The company should take necessary steps to increase the current assets and decrease the current liabilities to meet the short term obligations. The cash position of the firm is in better position and suggests that the company efficiently using the working capital.

INTRODUCTION

Cash flow statement is the statement which shows the sources of cash inflow and uses of cash out flow of the business concern during a particular period of time. cash flow statement also known as statement of cash flow is the financial statement that shows how changes in balance sheet accounts and income affects cash and cash equivalents and break the analysis down to operating ,investing ,and financing activities.

Cash flow statement helps to ascertain the liquid position of the firm in a better manner. Banks and financial institutions mostly prefer cash flow statement to analyse liquidity of the borrowing firm. Cash flow Statement helps in efficient and effective management of cash.

The management generally looks into cash flow statements to understand the internally generated cash which is best utilized for payment of dividends. Ever since the first enterprises were formed, there has been a need for a company to present certain information about the financial activities going on. During the course of history, every country has had their own methods of analyzing and presenting their financial reports.

COMPANY PROFILE

Sundaram finance was incorporated in 1954 has grown today into one of the most trusted financial services groups in India. Today , the group span savings products like deposits and mutual fund ,car finance, business process outsourcing, Tyre finance , fleet cards and logistics services.

History:

The Company was incorporated in 1954, with the object of financing the purchase of commercial vehicles and passenger cars. The company was started with a paid-up capital of Rs.2.00 Lakhs and later went public in 1972.The Company's shares were listed in the Madras Stock Exchange in 1972 and in the National Stock Exchange in January 1998.Subsequently, the equity shares of the Company have been delisted from Madras Stock Exchange Limited (MSE) with effect from January 27, 2004, in accordance with SEBI (Delisting of Securities)Guidelines, 2003, for voluntary delisting.

Founder:

The founder of sundaram finance was Mr.Santhanam Born on November 8, 1912, had his education in Madurai. In 1930, he joined his father in business, and thus began a life-time involvement in automobile and finance.He was not only deeply involved in negotiations with foreign collaborators for the manufacture of quality auto components, but also in financial planning and project financing. His financial acumen was always regarded highly, not just in the TVS group, but outside as well.

Group companies:

- Lakshmi general finance
- Sundaram BNP Paribas asset management
- Sundaram BNP Paribas home finance
- Royal sundara,m alliance insurance
- Sundaram business services
- Sundaram infotech solutions

NEED FOR THE STUDY

There is a need to study about inflows and outflows of cash in Sundaram finance. The cash flow analysis provide information regarding cash generated and used in operating , financing and investing activities .It is also needed to know about liquidity position of the company and cash available to meet the urgencies. This is helpful to boost the performance of the company and pave way to attain the objectives in competitive advantage.

OBJECTIVES OF THE STUDY

Primary objectives:

- To study the cash flow analysis of Sundaram finance ltd.

Secondary objectives:

- To study and analyze the overall performance of liquidity position of Sundaram finance for five years.
- To study the cash inflow and out flow of the concern and forecast future cash flow.
- To assess liquidity and short term solvency position of Sundaram finance.
- To provide suggestions to improve the fluctuations in liquidity position of Sundaram finance ltd.

SCOPE OF THE STUDY

The study is based on the accounting information of Sundaram finance limited. The study covers the period of 2014-2018 for the analyzing the cash flow analysis from balance sheet and income statements. It helps to increase the profit and sales growth of the company. It helps to measure the future growth of its firm which gives the fair idea about its with in its sector. This study finds out the operational efficiency of the organization and allocation of resources to improve the efficiency of the organization.

REVIEW OF LITERATURE

Abdul Aziz, Gerald H Lawson. Financial Management, 55-63, 1989

By using a new definition of cash flows and by utilizing LOGIT models, the usefulness of cash flows in predicting bankruptcy is investigated. Hypotheses regarding bias in cash flow bankruptcy prediction models are tested and their accuracy is compared with Altman's Z and ZETA models. Results indicate that net operating cash flows, taxes actually paid, lender cash flows, and net capital expenditure are useful indicators of approaching bankruptcy.

John Wiley & Sons, 2005. Charles W Mulford, Eugene E Comiskey

Successful methodology for identifying earnings-related reporting indiscretions Creative Cash Flow Reporting and Analysis capitalizes on current concerns with misleading financial reporting on misleading financial reporting. It identifies the common steps used to yield misleading cash flow amounts, demonstrates how to adjust the cash flow statement for more effective analysis, and how to use adjusted operating cash flow to uncover earnings that have been misreported using aggressive or fraudulent accounting practices.

Ross Kirkham Publications: Journal of New Business Ideas & Trends 10 (1), 1-13, 2012

The purpose of this study is to examine the value in analysis of the liquidity of companies using the traditional ratios as compared to the more recently devised cash flow ratios. Design/methodology/approach—The research involved the comparison between the traditional ratios and cash flow ratios of twenty five companies in the same industry over a five year period. The companies were all from the telecommunications sector and the data was obtained from the Final analysis database.

Thomas A Lee, Robert W Ingram, Thomas P Howard. Contemporary Accounting Research 16 (4), 749-786, 1999.

This paper examines the relation between earnings and operating cash flow to derive and test an indicator of financial statement fraud. Accrual measurement concepts indicate that financial statement fraud should be associated with high levels of earnings relative to operating cash flow. We demonstrate that the excess of earnings over operating cash flow is extreme in most fraud cases in years immediately prior to the fraud discovery based on a sample of 56 fraud cases from 1978 to 1999.

LIMITATIONS OF THE STUDY

- Due to the inadequate time of research it is not possible to analyze all aspects to the study.
- The quantitative aspects have been taken into account for the study where as qualitative aspects haven't considered.
- Authorities were relevant to reveal the information

Table 1 : Table showing cash position of sundaram finance for the financial year 2013-2014 to 2017-2018

Particulars	2013-2014	2014-2015	2015-2016	2016-2017	2017-2018
Cash and bank	674.07	676.71	552.56	747.19	981.35
Current liabilities	7209.37	6988.10	8969.99	9106.83	10240.78
Cash position ratio	0.093	0.097	0.062	0.082	0.096

Interpretation:

From the above table it is found that the current liabilities are higher than the cash and bank balances .and in the year 2014-2015 it shows higher percentage is 0.097 and lowest percentage is 0.062 in the year 2015-2016.the current year percentage is 0.096.

Table 2 :Table showing the trend percentage of cash of sundaram finance for the financial year 2013-2014 to 2017-2018

Particulars	2014	2015	2016	2017	2018
cash	674.07	676.71	552.56	747.19	981.35
trend	100	100	82	111	146

Interpretation:

From the above table it is found that the trend percentage shows that there is a variable changes in the trend. In the year 2014-2017 the cash has increased in less variation. But in 2018 there is a change in cash .the higher percentage is 146 in the year 2018 and lowest percentage is 82 in the year 2016. The current year percentage is 146.

Table3 :Table showing the cash turnover ratio of sundaram finance for the financial year 2013-2014 to 2017-2018

Particulars	2013-2014	2014-2015	2015-2016	2016-2017	2017-2018
Net sales	2313.91	2369.06	2475.02	2458.28	2696.33
Net working capital	296.24	1071.54	1400.19	1079.58	624.32
Cash turnover ratio	7.811	2.211	1.768	2.277	4.319

Interpretation:

From the above table it is found that the net sales are higher than net working capital. It shows higher percentage is 7.811 in the year 2013-2014 and lowest percentage is 1.768 in the year 2016-2017. The current year percentage is 4.319.

Suggestion

- The current assets are decreased company needs to improve current assets by rising shareholder's funds.
- Cash level can be increased by selling unused fixed assets other wise the money is unnecessarily blocked into them and idle money accrues interest cost.
- The company need to improve the working capital by earning profits, selling long term assets for cash, replacing short term debt with long term debt.

- The company has to reduce the operating expenses can also compromise the integrity and quality of the operations.
- The company has to purchase long term investment for the future health of the concern the excess cash flow can be utilized in any new ventures.

Table 4:Table showing the cash to total asset ratio of sundaram finance for the financial year 2013-2014 to 2017-2018

Particulars	2013-2014	2014-2015	2015-2016	2016-2017	2017-2018
cash	674.07	676.71	552.56	747.19	981.35
Total asset	15414.92	16761.19	17392.56	19167.46	23446.89
Cash to total asset ratio	0.043	0.040	0.031	0.038	0.041

Interpretation:

From the above table it is found that the total assets are higher than the cash .it shows higher percentage is 0.043 in the year 2013-2014 and lowest percentage is 0.31 in the year 2015-2016. The current year percentage is 0.041.

Conclusion

Finance is a field that is concerned with the allocation of assets and liabilities over space and time often under conditions of risk and uncertainty. Cash flow analysis which shows sources of cash inflow and uses of out flow of the business concern during a particular period of time. Cash flow analysis helps in efficient and effective management of cash.

In the study of cash flow analysis of sundaram finance limited , it is clear the overall performance of the firm is found to be good. The company should take steps to increase the current assets and current liabilities in order to meet the short term obligations. The cash position of the firm is in better position and suggests that the company efficiently using the working capital.

The financing activities are increased it means more money is flowing into the company which increase the company's assets. The mature firm will have possibly positive operating activities. The company has to purchase the long term investment for the future health of the firm. To improve the efficiency the firm will strive for the better performance and increase the market share of the firm.

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