

A STUDY ON FUNDS FLOW ANALYSIS

With Reference to

SAGAR GRANDHI EXPORTS PVT.LTD. at

CHITTEDU [AP]

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Under The Esteemed Guidance Of

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EXECUTIVE SUMMARY

The term financial analysis refers to the process of determining financial strength and weakness of the firm by establishing strategic relationship between the items of the balance sheet, profit and loss account and other operative data. The statement of changes in financial position of a business enterprise. Funds flow statement is a statement which discloses the analytical information about the different sources of a fund and the application of the same in an accounting cycle. It deals with the transactions which change either the amount of current assets and current liabilities (in the form of decrease or increase in working capital) or fixed assets, long-term loans including ownership fund. Funds Flow analysis is the most powerful tool of financial analysis. It is an important and age old technique of analysis and interpretation of financial statements. It is also used to analyze various aspects of operational efficiency and degree of profitability.

REVIEW OF LITERATURE

Financial management emerged as a distinct field of study at the turn of **20th century** its evolution may be divided into three broad phases – ‘the traditional phase’, ‘the transitional phase’ and ‘the modern phase’. The traditional phase lasted for about four decades.

The transitional phase began around **the early 1940** and continued through **the early 1950s**. Though the nature of financial management during this phase was similar to that of the traditional phase, greater emphasis was placed on the day-to-day problems faced by financial managers in the area of funds analysis, planning and control. The focus shifted to working capital management.

The modern phase began in **the mid 1950s** and has witnessed an accelerated pace of development with the infusion of ideas from economic theory and application of quantitative. The central concern of financial management is considered to be a rational matching of funds to their uses so as to maximize the wealth of current shareholders

Mr. ALFARED RAPPARPORT says in his book “Let’s Let Business Be Business”. “in a market-based economy which recognizes the rights of private property, the only social responsibility of business is to create value and do so legally with integrity. It is a profound error to view increases in a company’s value as concern just for its shareholders. Enlightened managers and public officials recognize that increases in stock prices reflect

RESEARCH METHODOLOGY

Methodology describes the method of achieving objectives through collection of data. The data collected can be either primary or secondary.

The above information is carried on with the cooperation of management of Sagar Grandhi Export Pvt. Ltd.

SOURCES OF DATA:

- 1 Primary data
2. Secondary data

PRIMARY DATA:

Most of the information is collected from internal interviews and discussion with various officials in the finance department and concerned executive of other department.

SECONDARY DATA:

The information collection from

1. Annual reports, published records and reference books.
2. Executive and staff of financial accounting department.
3. Executives of other departments.

There are some of the tools, which are relevant for the study of ration analysis and performance of Sagar Grandhi Export Pvt. Ltd.

1) **FUND FLOW ANALYSIS**

- SCHEDULE OF CHANGING IN WORKING CAPITAL
- PROFIT & LOSS APPROPRIATION A/C
- FUNDS FLOW STATEMENT

2) **RATIO ANALYSIS CURRENT RATIO**

- Current Ratio = current assets/current liabilities
- QUICK RATIO Quick Ratio = quick assets/current liabilities

3. **ABSOLUTE LIQUID RATIO**

- Absolute liquid ratio=absolute liquid assets/current liabilities

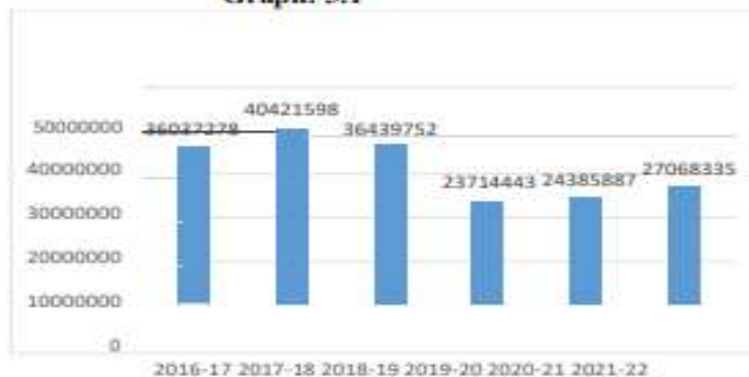
DATA ANALYSIS AND INTERPRETATION

NET WORKING CAPITAL OF SAGAR GRANDHI EXPORTS PVT LTD, 2016-2022

YEAR	NET WORKING CAPITAL	BY PERCENTAGE(%) OF INCREASED OR DECREASED NET WORKING CAPITAL(2016-17 base year)
2016-17	36037278	100%
2017-18	40421598	12.16%
2018-19	36439752	1.11%
2019-20	23714443	-34.19%
2020-21	24385887	-32.33%
2021-22	27068335	-24.88%

Sources: statement of changes in working capital

Graph: 5.1



INTERPRETATION

PROFIT & LOSS APPROPRIATION FOR THE YEAR The Net working capital has been fluctuating in the study period 2016-2022, here 2016-17 is the base year. In the year 2017-2018 the net working capital is increased by 12.16% comparing 2020-21 the net working capital is decreased by 32.33% when I am comparing to 2016-17 the net working capital is decreased by 24.88% in the year 2021-22. It is observed that the overall net working capital is not good comparing to base year. So company should increase current assets and reduce current liabilities

SUGGESTIONS

1. Company should maintain sufficient current assets by issue of loans & advances to outsiders; it will help to increase working capital.
2. The company is suggested to maintain sufficient amount of cash and bank balance to pay its quick liabilities which will increase its credit worthiness and goodwill
3. To maintain sufficient reserve and surplus, to ensure financial stability of the business
4. Company should try to maintain its current ratio at the standard 2:1
5. Company should maintain its quick ratio at the standard 1:1.

CONCLUSION

Sagar Grandhi exports pvt. ltd” gives a view of analysis evaluation of liquidity position of the company is not well comparing to previous years the company should increase current assets and reduce current liabilities. And profitability of the company is good based on the tools used analysis and interpretations have been made giving way for useful and constructive suggestions. The company should enhance its performance for meeting challenges and exploiting opportunities in future. The project will guide to the management to interpret its weakness and problems this will certainly help the management to taking financial decisions. However more efforts need to be improve the financial position for the growth of the company. Based on the analysis and interpretation I tried to give my findings and suggestions for the company as per my best knowledge. Finally project really helps us in knowing the practical things of the textiles cotton. Really I enjoyed this project work in its real spirit.

