

FUND FLOW MANAGEMENT

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ABSTRACT

A fund flow statement may be a summary of a firm's inflow and outflow of funds It tells us from where funds have come and where funds have gone. The budget of the business indicate assets, liabilities and capital on a specific date and also the profit or loss during a period. But it's possible that there's enough profit within the business and therefore the financial position is additionally good and still there could also be deficiency of money or of working capital in business. If the management wants to seek out out on where the cash is being utilized, budget cannot help. Therefore, a statement is ready of the sources and applications of funds from where capital comes and where it's utilized. This is called Fund Flow statement. Funds Flow Statement is an analytical tool within the hands of monetary manager. The basic purpose of this statement is to point on historical basis the changes within the capital i.e., where funds came from and where they're used during a given period The funds flow statement or statement of changes in financial position may be a statement of flows, it measures the changes that have taken place during two balance sheet dates. According to R.N. Anthony, ???Fund Flow may be a statement prepared to point the rise in cash resources and therefore the utilization of such resources of a business during the accounting period.???

Keyword - Budget , Deficiency , statement

1. INTRODUCTION

The technique of funds flow analysis is widely employed by the securities analyst , credit granting institution, and financial managers in performance of their jobs. Funds flow statement is additionally referred to as statement of sources and uses of funds As the name implies, it's a press release which depicts the sources from which funds are obtained and therefore the uses to which they're being put. it's essentially derived from the analysis, of changes which have occurred in assets and equities between two balance sheets period According to Foulke, ???A statement of sources and applications of fund may be a technical device designed to research the changes within the economic condition of a commercial enterprise between two dates.??? it's a press release which highlights the underlying financial movements and reflects the changes within the financial position or capital position in two different dates
Meaning and Definition of Funds Flow Statement: Funds flow statement enables us to review the changes within the financial position of a business enterprise between beginning and ending budget dates. It is a statement showing sources and uses of funds for a period of your time a statement, either prospective and retrospective, beginning the sources and applications of the funds of an enterprise. the aim of the statement is to point clearly the need of funds and therefore the way they're proposed to be raised and the efficient utilization and application of an equivalent .??? Funds flow statement is named by various names, like sources and application of funds, statement of changes in financial position, sources and uses of funds, summary of financial operations, etc.

Concept of Flow of Funds: The term fund has been defined and understood by different experts in different ways. Broadly, the term ???fund??? refers to all or any the financial resources of the corporate . On the opposite extreme, ???fund??? refers to cash only. However, the most acceptable meaning of fund is working capital. When funds mean capital , flow of funds refers to movement of funds which cause a change in capital of the organization. If any transaction results in the increase in working capital, it is said to be source or inflow of funds; and if it results in the decrease of working capital, it's said to be an application or out flow of funds. There is always a flow of fund (change in working capital) by those business transactions that: (a) Increase the current assets but do not bring any change/increase in current liability or vice versa. (b) Decrease the current assets but do not bring any decrease in current liabilities and vice versa. If current assets and current liabilities do change in the same direction and by the

same quantum, then only totals of current assets and current liabilities change but the difference between the two, i.e., working capital remains the same and hence there would be no flow of fund in such circumstances. It is clear from the above discussion that transactions which involve current assets or current liabilities on the one hand and non-current (fixed) assets and/or non-current (long term) liabilities on the other hand will end in flow of funds.

The list of current and non-current accounts is give below in the following tables.

The above diagram clearly indicates that transactions –

- (a) Between current assets and non-current assets and non-current liabilities will result in flow of funds.
- (b) Between current liabilities and non-current assets and non-current liabilities will result in flow of funds.
- (c) Between current assets and current liabilities will not result in flow of funds.
- (d) Between non-current assets and non-current liabilities will not result in flow of fund

External Sources Include of Funds:

The external sources of funds include the following:

- (a) Funds from long-term loans – Long-term loans such as debentures, following from financial institutions, will increase the working capital, and therefore, will be flow of funds. However, if debentures are issued in consideration of some fixed assets, there will be no flow of funds.
- (b) Sale of fixed assets – Sale of land, buildings, investments, etc., will result in generation of funds.
- (c) Funds from increase in share capital – Issue of shares for cash and other current asset results in increase in working capital and hence there will be an inflow of funds.

2.NEED FOR THE STUDY

It is needed to know about inflows and outflows of fund in ethna attributes soft technologies pvt ltd. It is also needed to analyze about the changes in working capital. The fund flow statement is prepared so that the deviation can be analyze and further steps can be taken to improve wise the performance of the organization.

3.OBJECTIVES OF THE STUDY

- To determine the changes in working capital
- To explain proper allocation in profit and loss account
- To finding the fund flow statement and operation

4.SCOPE OF THE STUDY

The study covers all the components of current asset and current liabilities for the year .The study also deals with the various ratios imparted in the organization.The working capital is one of the dynamic and vital aspects of the business operation.

5.REVIEW OF LITERATURE

1.Melik Serhat (2014) 137 reported construction industry is an important sector that cash flow play an important role for that because of the most risks sectors due to high level of uncertainties included in the nature of the construction projects 2.Charles, E. Jordan and Marilyn A. Waldron (2015) 138 found that accrual basis measures are better

predictors for future cash flows than cash flow basis measure .So, accrual component basis are better for financial managers and other users of financial statement for decision making. 3.Yuel (2016) 139 understood, analysts' cash flow forecasts have become widely available through financial services. Cash flow information enables practitioners to have a better understand the real operating performance and financial stability of a company, practically when earning information is noisy and of low quality. 4.Hadri Kusuma (2017) 140 investigated and assess statements relative of cash flow disclosures as needed by the Australian Accounting Standard Board (AASB) 1026 statement of cash flow. The information capacity is estimated in terms of degree of the relationship between cash flow variable and security returns. After examining the data relative to cash flow the researcher found out two important factors such as: To examine the capacity of the cash flow component in predicting future cash flow To compare the capacity of cash flows and earning in predicting future cash flows. 5. Nichalas Davis (2017) 141 tried for move from the cash basis to accrual basis of accounting in the Australian public sector (APS). That was an important item of NPM for an improvement planning and an event of historical significance. In this research the researcher identified key events in these changes and to analyze them through the theoretical Lens Aobermas (1976) theory of legitimating. The main discussion of this paper expressed within this paper that accrual accounting is better device used by different level of Government in Australian public sector APS in an attempt to combat the tendencies for economic, rationality and legitimacy difficulties that are commensurate with welfare state societies such as Australia.

6. RESERCH DESIGN

Research methodology is a way to systematically solve the problem. In it we are study the various steps that are generally adopted by a researcher in studying the research problem along with the logic behind them. Research Methodology is the outer cover of the research design. A research is the systematic enquiry and or examination in seeking facts in order to gain knowledge and find solutions to problems. The research design is followed for the study is analytical research design. Analytical research is the specific type of research that involves critical thinking skills and evaluation of facts and information relative to the research being conducted. For any problem to be analyzed and solved data is of absolute need. Data should be collected and interpreted for gaining a better understanding of the problem. The first step of any research design is the collection of data.

7. RESULTS AND DISCUSSION

TABLE-1 CHANGES IN WORKING CAPITAL POSITION OF ETHNA ATTRIBUTES SOFT TECHNOLOGIES PVT LTD for the year 2014– 2015 (Rupees In lakhs)

Particulars	Previous year 2014	Current year 2015	Working capital	
			Increase	Decrease
A) Current Assets				
1) Inventories	3792.64	4795.79	1003.15	----
2) Debtors				
3) Work in progress				
4) Cash and bank				
5) Loans and advances	513.17	831.12	317.95	----
6) Other current assets	----	----	----	----
A) Total Current Assets	418.59	439.33	20.74	----
	839.99	785.34	----	54.65
B) Current Liabilities				

1) Creditors	22.58	27.03	4.45	----
2) Cash credit				
3) Proposed dividend	5586.97	6878.61		
4) Other liabilities				
5) Provision tax				
6) Dividend				
			27.82	----
	1781.98	1754.16	----	1.91
	24.13	26.04	4.25	----
Total Current Liabilities	43.92	39.67	39.68	----
	1171.85	1132.17	14.27	----
Net working capital (A-B)	207.25	192.98	----	1.15
Increase / Decrease in W.C	1.77	2.92		
	3230.90	3147.94		
	2356.07	3730.67		
TOTAL				
	1374.60			1374.60
	3730.67	3730.67	1432.31	1432.31

TABLE 2 FUNDS FLOW STATEMENT FOR THE YEAR 2014-2015

SOURCES OF FUNDS	AMOUNT	APPLICATION OF FUNDS	AMOUNT
1) Issue of share capital	----)Reduction of share capital	----
2) Issue of Debenture	----	2)Reduction of Debenture	----
3) Raising of new loans:-		3)Repayment Loans:-	----
* Secured loans	1149.57	* Secured loans	
* Unsecured loans	162.20	* Unsecured loans	
4) Sale of Fixed Assets	----	4) Purchased of Fixed Assets	----
5) Profit from Operation	579.20	5) Purchase of Investments	472.24
6) Decrease in W.C	----	6) Loss from Operation	
7) Decrease in Investment	----	7) Increase in W.C	----
		8) Payment of Dividend	----
			1374.60

			44.13
TOTAL	1890.97		1890.97

INTERPRETATION:

The funds flow statement of 2014-15 clearly shows that the company's working capital has increased by Rs 1374.60 lakhs. The sources of the company were achieved from the following.

1. Funds from operation. 579.20 lakhs.
2. From secured loans. 1149.57 lakhs.
3. From un-secured loans. 162.20 lakhs.

The company spent its sources for the following purposes

1. The company used funds worth Rs 579.20 lakhs for acquisition of fixed assets.
2. For payment of dividend Rs 44.13 lakhs.

Thus, the company depended on secured and un-secured loans in addition to funds from operation for acquisition of fixed assets and meeting working capital requirement.

TABLE-3 CHANGES IN WORKING CAPITAL POSITION OF ETHNA ATTRIBUTES SOFT TECHNOLOGIES PVT LTD for the year 2015– 2016 (Rupees In lakhs)

Particulars	Previous year 2015	Current year 2016	Working capital	
			Increase	Decrease
A) Current Assets				
	4795.79	6307.35	1511.56	----
1) Inventories				
2) Debtors				
3) Work in progress	831.12	501.30	----	329.82
4) Cash and bank				
5) Loans and advances	----	----		
6) Other current assets	439.33	441.10	----	----
			1.77	----
A) Total Current Assets				
	785.34	869.77		
B) Current Liabilities				
	27.03	17.37	84.43	----
1) Creditors			----	9.66
2) Cash credit				
3) Proposed dividend				
4) Other liabilities				

5) Provision tax	6878.61	8136.89		
6) Dividend				
Total Current Liabilities	1754.16	1587.31		
Net working capital (A-B)	26.04	251.01	166.85	----
Increase/Decrease in W.C	39.67	30.00	----	224.97
	1132.17	1112.93	9.67	----
	192.98	0.65	19.24	----
	2.92	3.47	192.33	----
			--	0.55
	3147.94	2985.37		
	3730.67	5151.52		1420.85
	1420.85			

TABLE 4 FUNDS FLOW STATEMENT FOR THE YEAR 2015-2016

SOURCES OF FUNDS	AMOUNT	APPLICATION OF FUNDS	AMOUNT
1) Issue of share capital	----	1) Reduction of share capital	----
2) Issue of Debenture	----	2) Reduction of Debenture	----
3) Raising of new loans:		3) Repayment Loans:-	
* Secured loans	1499.04	* Secured loans	
* Unsecured loans	----	* Unsecured loans	----
4) Sale of Fixed Assets	----	4) Purchased of Fixed Assets	16.21
5) Profit from Operation	261.56		283.87
6) Decrease in W.C	----	5) Purchase of Investments	----
7) Decrease in Investment	----	6) Loss from Operation	----
		7) Increase in W.C	----
		8) Payment of Dividend	1420.85
			39.67
TOTAL	1760.60		1760.60

INTERPRETATION:

The funds flow statement of 2015-2016 clearly shows that the company's working capital has increased by Rs 1420.85 lakhs. The sources of the company were achieved from the following.

1. Funds from operation. 261.56 lakhs.
2. From secured loans. 1499.04 lakhs.

The company spent its sources for the following purposes.

1. The company used funds worth Rs 283.87 lakhs for acquisition of fixed assets.
2. For re-payment of unsecured loans 16.21 lakhs.
3. For payment of dividend including dividend tax Rs 39.67 lakhs.

TABLE-5 CHANGES IN WORKING CAPITAL POSITION OF ETHNA ATTRIBUTES SOFT TECHNOLOGIES PVT LTD for the year 2016– 2017 (Rupees In lakhs)

Particulars	Previous year 2016	Current year 2017	Working capital	
			Increase	Decrease
A) Current Assets				
1)Inventories		3966.03		
2) Debtors	6307.35	836.39		2341.32
3)Work in progress				
4)Cash and bank	501.30	----	----	----
5)Loans and advances				
6)Other current assets	----	831.71	335.09	----
A) Total Current Assets	441.10	1609.31	----	----
B) Current Liabilities	869.77	26.35	390.61	----
1) Creditors	17.37		739.54	----
2) Cash credit			8.98	
3)Proposed dividend				
4) Other liabilities		7269.79		
5) Provision tax				
6) Dividend	8136.89			
Total Current Liabilities				
Net working capital (A - B)				1820.34
Increase/Decrease in W.C		3407.65	----	----
	1587.39	146.98	104.03	----
	251.01	33.84	----	3.84

	30.00		----	317.79
		1430.72	----	18.06
	1112.93	0.65		----
	0.65	21.53		
	3.47		2923.10	
		5041.37		
	2985.37			
		2228.42		
	5151.52			----
	----	2923.10		
TOTAL	5151.52	5151.52	4501.35	4501.35

INTERPRETATION:

The funds flow statement of 2016-2017 clearly shows that, working capital decreased by Rs 2923.10 lakhs. The sources of the company were achieved from the following.

1. Funds from operation. 118.78 lakhs.
2. From un-secured loans. 22.25 lakhs.
3. From sale of investments. 1.00 lakhs.
4. From working capital. 2923.10 lakhs

The company spent its sources for the following purposes.

1. The company used funds worth Rs 2000 lakhs for acquisition of fixed assets.
2. For re-payment of secured loans Rs 1035.13 lakhs.
3. For payment of dividend Rs 30.00 lakhs.

8 SUGGESTIONS

1) Most of the years the company is having increase in working capital; this is due to increase in levels of current assets. This is due to increase in level of current assets.

Bringing the level of current assets can reduce this increase in working capital.

2) Loans and advances are fluctuating in a disorder. This may be due to disorder of current assets and current liabilities.

3) Every company should have upper & lower limits which produce reasonable combination of profitability in management of working capital.

4) The company should not maintain the resources surplus Current Assets & Current Liabilities. This is not good for the company so maintain the reserves & supply, increase the Current Assets & Current Liabilities is healthy for the organization.

5) Funds flow statement has shown twice losses from operations these are mainly due to heavy increase in current liabilities like creditors and other liabilities.

6) Cash balances are not maintained properly. They have to be maintained to meet the day-to-day operations with out fail.

7) To improve the financial health of the company & maximizing

9. LIMITATIONS

- It should be remembered that a funds flow statement is not a substitute of an income statement or a balance sheet
- . It provides only some additional information as regards changes in working capital.
- It cannot reveal continuous changes.
- It is not an original statement but simply are-arrangement of data given in the financial statements.

10. CONCLUSIONS

Net capital is satisfactory between the years since it shows increase trends, but then it's in declining position. The company had taken Secured Loans in the assessment year 2014-2015. The company has repayment total Unsecured Loans in the assessment year 2016-2017

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