



**ISSN: 2454-9940**



**INTERNATIONAL JOURNAL OF APPLIED  
SCIENCE ENGINEERING AND MANAGEMENT**

**E-Mail :**  
**editor.ijasem@gmail.com**  
**editor@ijasem.org**

**[www.ijasem.org](http://www.ijasem.org)**

## A Study on Funds Flow statement of ITL pipes, Nandyala

\*M. Narmada<sup>1</sup>, \*\* S. Izaz Ahammed<sup>2</sup>,

E-mail : [narmadamittamiddi@gmail.com](mailto:narmadamittamiddi@gmail.com) , [Izazahammed2010@gmail.com](mailto:Izazahammed2010@gmail.com),

Mobile NO: 7386104521 ,73963703072

Corresponding Author – S. Izaz Ahammed

- 1.Student, Department of MBA, Chaitanya Bharathi institute of technology, proddatur
2. Assistant Professor, Department of MBA, Chaitanya Bharathi Institute of Technology, Proddatur

### Abstract

Funds flow statement 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. Funds 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: long term sources, long term uses, short term sources, short term uses. It is also important to zero out the non-fund-based adjustments in order to capture only the changes that accompanies by flow of funds. However, income accrued but not 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. In this study we are going to prepare funds flow statement with the help of working capital changes and adjusted profit and loss Account. Data is collected through from annual reports of ITL Pipes

**Key words :** working capital, funds flow statement, funds.

### Introduction

Funds flow statement:

The fund flow statement is a financial statement that records the inward and flow of business funds or assets. It identifies the reason for a change in the financial position of a company by comparing two year's balance sheets.

Funds flow statement is a statement which shows the sources from which funds are obtained and uses to which fund are put and it involves tracking sources and uses of funds, including cash inflows from operations, financing activities (such as loans or investments), and investing activities (such as purchasing assets) Monitoring funds flow is important for managing liquidity, assessing financial health, Making strategic decisions.

The main purpose of a funds flow statement is to show how cash is generated and used in an organization, including operating activities, investing activities, and financial activities. It helps stakeholders understand the liquidity and financial health of a company by tracking the movements of funds in and out of the business. The funds flow statement complements the cash flow statement and balance sheet, providing comprehensive view of an organization's financial performance and position. This statement sheds light on a company's working capital management .it provides in-depth information about changes in current assets and liabilities. Thus, high lighting how effectively a company manages its short-term resources. By analyzing a fund flow statement stakeholders can assess a company's ability to meet its short-term obligations and identify areas where working capital management can be improved. The fund flow statement completes other financial statements, such as the income statement and balance sheet. It provides additional data about the movement of funds. By analyzing these statements, stakeholders can gain a more comprehensive understanding of a company's financial performance, profitability, and solvency.

### **Meaning of funds flow statement:**

A funds flow statement is a statement that comprises the inflows and outflows of funds. It includes the source of funds and application of funds for the particular period. Therefore, you can analyse the reasons behind the change in a company's financial position.

### **Definition of funds flow statement:**

“Statement of sources and application of funds is technical devises designed to analyses the change in the financial condition of business enterprise between two dates” - Fouike

### **Components of a fund flow statement:**

The funds flow statement has two components:

- Sources of funds
- Application of funds

**Sources of funds:** It includes where the funds have come from and their source.

**Application of funds:** It denotes the usage of funds for short term and long-term needs.

Funds flow can be through issues of shares or debentures or from the sale of fixed assets.

### **Fund:**

Funds refer to money or financial resources that are available for use by an individual, organization, or government. Funds can come from various sources such as savings, investments, loans, grants, donations, or revenue generated from business activities. These funds are typically used to finance operations, investments, projects, expenses, or other financial needs. Managing funds effectively is essential for achieving financial goals, sustaining operations, and

ensuring financial stability. The term “funds” is often used interchangeably with “capital” or “money” in financial contexts.

Concept of funds:

The term “Fund” has been defined and interpreted varying by different experts. Broadly the term fund refers to all the financial resource of the company on the 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 mean all financial resources used in business, whether in in the form of men, money, material, machine& others.

#### C) Net working (or) popular sense

Net working 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 underestimate 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.

Investors may also use funds flow statement ‘of an organization for taking a decision with regard to their investment in that organization.it reflects a detailed information in respect to the performance of the organization with regard to its profitability, operational efficiency and financial affairs The information gathered from the funds flow statement of an organization facilities its management in formulating various policies, Ex. Dividend policy, Investment policy etc.

## REVIEW OF LITERATURE

Ratnam and kalyanaraman (1993) in their study on “A decade of SITAR’s research” compared the financial performance of member mills and analysed the factors influencing cost of 114 production by Rs.10 spindle that the use of superior cottons combined with improved

machinery maintenance would lead to more saving to realize higher earnings than the break-even levels. The study states that, as spindle speed increases there would be steady increases in the overall profit per spindle.

See Vogel and Adams (1995) for a discussion of this the seminal work of Stiglitz and asymmetry between borrowers and lenders is an imperfection consists with the belief the commercial lenders may deny credit to certain categories of small firms. According to the most prevalent theories information symmetry leads to adverse selection or moral hazard problems. Which, in turn, lead lenders to set an optimal (for them) interest rate that is lower than the rate at which the market would otherwise clear.

Hyun-Han shin Luc Soenen (1998) focused their study on efficiency in working capital management and corporate profitability of 58,985 firms covering, a period from 1975-1994. study found there exists a strong relationship between the length of the firms net trade cycle (NTC) and its profitability. They also have found that NTC is measuring liquidity differently from the 115 more conventional current ratio. Which is positively related to profitability.

Hamasalakshi and Manickam (2005) in their on “performance Analysis of selected software companies” examined liquidity, profitability and leverage position of thirty-four software companies during the period 1997-1998 to 2001-2001 by using ratios correlation and multi regression analysis. The study revealed favorable scope liquidity and working and working capital position. The concluded that the companies rely on the internal financing and overall profitability position of the software companies showed a moderately increasing trend.

Balakrishna (2005) in the study, financial performance of sector petroleum industry, analysed the liquidity, solvency, profitability and predicted the financial position of the companies. He concluded that the petroleum industry is in a healthy position.

Sudhansu Mohan Sahoo and Gom Karnath (2005) in their article on “capital structure of the Indian corporate sector: An Empirical Analysis”, analysed the capital structure of the Indian corporate sector and factors that determine the debt-equity of the firms during the period 1980-1981 to 2003-2004. The study concluded that the firm is significant factors deciding the capital structure.

Chalam and prasad (2006) Attempted to evaluate financial performance of primary agriculture co-operative societies in Andhra Pradesh, through scaling technique. The study concluded that out of nine cooperative societies, four societies performance were poor.

Jayaraj and Ilango (2004) examined the determinants of textile exports in India during the project from 1998-1981 to 2001-2002. The study concluded the trade openness was the major factors than raw materials, power, obsolete machines, technology up-gradation and demand in determining the exports of textile goods.

Sankaran (2004) in study on “identifying discriminate financial factors between well run and not well-run spinning mills and Tamil Nadu”, analysed and identifying factors which separate well run from others for a period from 1991-2000, by using ratios, fund flow statement, discriminate analysis and prediction model for the thirty member mills of the southern Indian

Mills Association. He arrived at the conclusion that the well-run companies were able to meet the long-term funds and current ratio and expenses on employee have significant influence in determining well and not well-run companies.

Vunyle Narendra and Abhinav Sharma (2006) argued that the public enterprises are utilizing internal sources or funds for expansion and financing and do not utilize the debt capital. The study further stated that they raised long term resources for meeting short term 118 requirements. The study concluded that the public enterprises are using pecking order theory for capital structure polices.

Sudarsana Reddy, Raghunatha Reddy and Mohan Reddy (2006) examined the internal funds availability for financing fixed assets that the owners fund was insufficient to finance fixed asset and observed that fixed asset does not have sufficient relationship with sales.

Glennon and Nirgo (2005) examine the default risk of small business loans granted under the small business administration (SBA). They report that, although medium maturity loans originated under the SBA 7(a) loan guarantee program small business Administration; the us federal government loan guarantee program are targeted small firms that fail to obtain credit through conventional channels, the default experience is comparable to that of a large percentage of loans held by larger commercial banks.

Rahaman Mohammad (2011) focuses on the co-relation between the working capital and profitability. An effective working capital management has a positive impact on profitability of a firms. Form the study it is seen that in the textile industry profitability and working capital position are found to be up to the mark.

### **Needs for the study:**

- 1) Understating the sources and uses of funds with in a business to assess its financial health and performance.
- 2) Identifying trends in cash flows and fund movements over time to make informed decisions and strategic plans.
- 3) Evaluating the liquidity solvency of a company by analyzing its ability to meet financial obligations and manage cash effectively.
- 4) Providing insights in to the operating, investing, financing activities of a business to determine its cash flow generation and utilization.
- 5) Supporting financial analysis and forecasting by highlighting changes in working capital, capital expenditures, and financing activities.
- 6) Enhancing transparency and accountability by disclosing the movement of funds with an organization to stakeholders.
- 7) Complying with accounting standards and regulations that require the preparation and preparation of funds flow statements in financial reporting.

### **Objectives of the study**

- To know the statement of changes in working capital.
- To analyse the movement of funds between the dates of two balance sheets in period of study.

- To know the liquidity position of the company by using ratios.
- To know the various sources which company using to raise the funds.
- To analyse the financial operation of a firm.

## **Research Methodology**

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

**Research Design:** Analytical study

**Data sources:** primary data, 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 another department.

**Secondary data:** The secondary data was collected form already published sources. Annual reports, published records and reference books. Executive and staff financial accounting department. Executives of other departments.

The data collection includes:

- Data collected from annual reports of integrated thermoplastics limited.
- Reference from textbooks relating to financial management.

**Tools of Analysis:** For any company or organization, systematic research to evaluate the use of operating systems is not feasible using such technology. The analysis was mainly used in centralized countries. And also, other types are there. Balance sheet, funds flow statement.

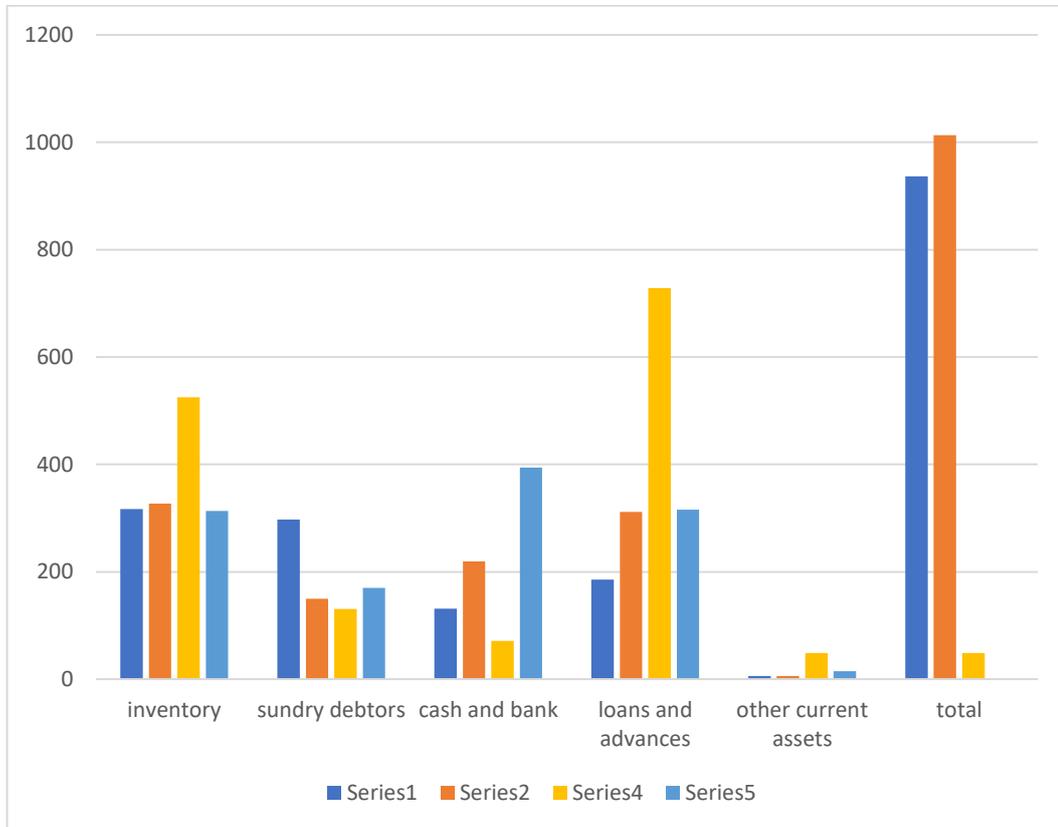
## **Analysis**

### **Composition of current assets**

**(all the amount are in Cr)**

<b>Particulars</b>	<b>2019-20</b>	<b>2020-21</b>	<b>2021-22</b>	<b>2022-23</b>	<b>Avg.</b>
Inventory	317.1	326.83	436.4	524.93	313.473333
Sundry debtors	297.44	149.94	108.39	130.59	170.268333
Cash and bank	131.09	219.57	1907.21	71.52	394.195
Loans and Advances	185.46	311.26	405.76	728.66	315.7
Other current assets	5.69	5.89	24.82	48.87	14.8116667
<b>Total</b>	<b>936.78</b>	<b>1013.49</b>	<b>2882.58</b>	<b>1504.57</b>	

**Graph:**



Interpretation: The income statement is considered to be the most useful of all financial statements. It prepared by a business concern on order to know the profit earned loss sustained during a specified period. It explains what has happened to a business as a result of a operations between two balance sheets dates. For this purpose it matches the revenues cost incurred in the process of earning revenues and shows the net profit earned or loss suffered during a particular period

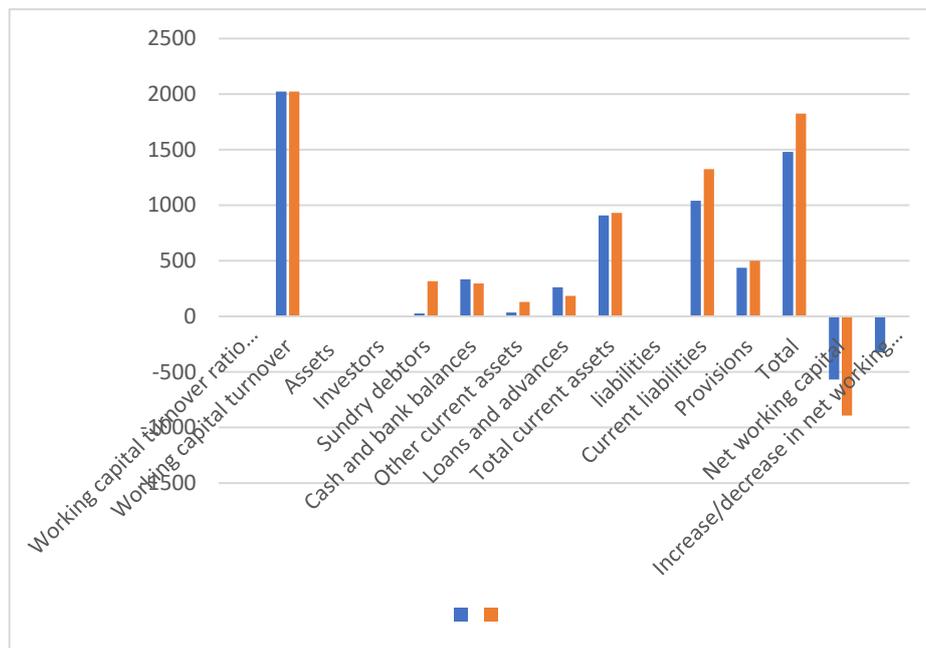
**Statement of changes in working capital**

**Rs in lakhs**

Working capital turnover ratio 2023		
Working capital turnover	2022	2023
Assets		
Investors	3.6	5.69
Sundry debtors	27.5	317.1
Cash and bank balances	335.25	297.44
Other current assets	35.78	131.09
Loans and advances	263.06	185.46
<b>Total current assets</b>	<b>909.67</b>	<b>931.09</b>
Liabilities		

Current liabilities	1041.92	1324.98
Provisions	437.24	499.76
Total	1479.16	1824.74
Net working capital	-569.49	-893.65
Increase/decrease in net working capital	-324.16	

**GRAPH:**



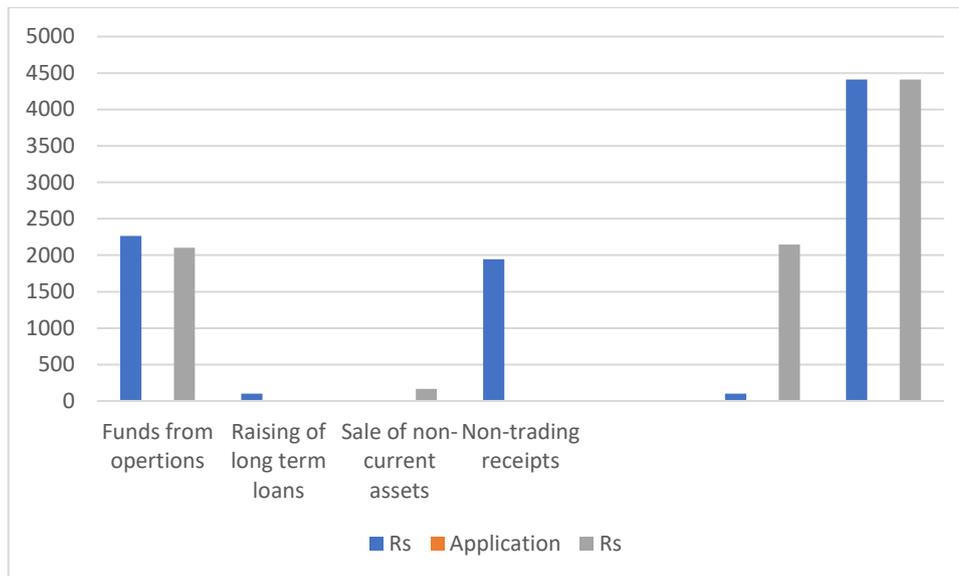
**Interpretation :** The net working capital has been decreased to 324cr the financial position. The performance has increased and the current assets defects its current liability.

**Statement of sources and applications of funds for the period (2022-23)**

Rs in lakhs

Source	Rs	Application	Rs
Funds from operations	2265.11	Repayment of long term loans	2100.56
Raising of long term loans	101.14	Purchase of long term investment	166.03
Sale of non-current assets	1944.29	Investment in working capital	2145.55
Non-trading receipts	102.00		
	4412.54		4412.54

**GRAPH :**



**Interpretation:**

From the table it is observed that the working capital of company shows increased trend. The assets of the company has increased Rs 8167.50 to 10725.94 in 2011-12.

Regarding the application of funds 9.44% used for investment in fixed assests and funds used for working capital purpose. Constitute 9.84% respectively.

**Conclusion:** Funds flow statement is very important for every organization. It can really determine how the business should be carried on in the future. We can properly utilize the budget of the company and the strategy cope the financial problems of the company through the preparation of funds flow statement. As we known the aim of funds flow statement is to know the working capital of the company whether it increase or decrease during a given period of time. So it is a main tool to make a organization to survive in the future.

**References:**

1. Accounting Principles Board. 1963. The Statement of Source and Application of Funds. Opinion 3. AICPA.
2. Anton, H. R. 1954. Funds statement practices in the United States and Canada. The Accounting Review (October): 620-627.

3. Anton, H. R. 1955. The funds statement as an internal report to management. *The Accounting Review* (January): 71-79.
4. Anton, H. R. 1962. *Accounting for the Flow of Funds*. Houghton Mifflin.
5. Arnett, H. E. 1979. *Proposed Funds Statements for Managers and Investors*. National Association of Accountants.
6. Castenholz, W. B. 1956. That application of funds statement. *The Accounting Review* (July): 431-434.
7. Coughlan, J. W. 1964. Funds and income. *N.A.A. Bulletin* (September): 23-34. (Comparison of the funds statement with the income statement).
8. Davis, C. J. 1983. A structured approach to preparation of the statement of changes in financial position. *Issues in Accounting Education*: 79-89.
9. Emin, H. D. 1983. The statement of changes in financial position: An alternative teaching approach. *Journal of Accounting Education* 1(1): 35-45.
10. Finney, H. A. 1925. Students' department: The statement of application of funds. A reply to Mr. Esquerre. *Journal of Accountancy* (June): 497-511.
11. Finney, H. A., C. E. Freeman and G. Bartley. 1925. Students' department: Statement of application of funds. *Journal of Accountancy* (October): 305-313.
12. Finney, H. A., H. P. Baumann, F. L. Humphrey. 1925. Students' department: Statement of application of funds. *Journal of Accountancy* (December): 464-469.
13. Gladson, J. W. 1962. Reporting on the Source and Use of Funds. In *Corporate Treasurer's and Controller's Encyclopedia*. III. ed. Prentice-Hall.