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EVALUATING FUNDS FLOW STATEMENTS: INSIGHTS FROM HERO MOTOCORP LTD

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ABSTRACT

The cash that comes into and goes out of a company are summarised in their fund flow statement. In layman's terms, it reveals to investors the origins and destinations of their money. One common purpose for the statements is to check whether the money that a company has are being spent effectively. Using the balance sheets for two dates that indicate the coverage period, fund flow statements are created. The next step is to determine the items' individual increases and declines. Lastly, the modifications are grouped into four types: Long-term (1) sources, (2) uses, (3) sources, and (4) uses in the near future. Also, in order to catch just the changes that are accompanied by the flow of money, it is critical to zero out the non-fund related modifications. Nevertheless, the profit number for the fund flow statement should not be removed from the profit and loss statement's calculation of accumulated but received revenue and accrued but unreceived costs. You might find a lot of issues with a company's operations in its fund flow figures. For instance, liquidity issues may arise for businesses that need short-term funds to support long-term investments. The use of long-term funds to fund investments with shorter time horizons raises concerns about the efficiency of the company's capital allocation.

1. INTRODUCTION

The basic financial statements i.e., the Balance Sheet and Profit & Loss A/c or Income Statement of business reveals the net effect of various transactions on operational and financial position of the company. The balance sheet gives a summary of the assets & liabilities of an undertaking at a particular point of time.

There are many transactions that take place in an undertaking and which do not operate Profit & Loss A/c. Thus another statement has to be prepared to show the change in Assets & Liabilities from the end of one period of time to the end of another period of time. The statement is called a statement of changes in financial position or a Funds Flow Statement.

The Funds Flow Statement is a statement which shown the movement of funds and is a report of financial operations of business undertaking. In simple words it is a statement of source and application of funds.

NEED AND IMPORTENCE OF STUDY

Many business owners disregard the importance of Funds flow statements because they unwittingly believe that their

current financial standing can be construed from other financial reports and projections. Unfortunately, however, a Funds flow statement is necessary to adequately assess the incoming and outgoing flow of Funds and other resources in a business.

Not only will a business owner with a Funds 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 Funds flow statements shows more economic solvency, and is more attractive to investors.

A Funds flow statement documents the incoming and outgoing Funds in plain terms. Future sales and sales made for credit (unless they have been paid off) are not included in the Funds 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 Funds flow, but this doesn't mean that the business is going under. More stables businesses should see a steadily increase in Funds flow over a period of several months or years.

There are typically five different sections in a Funds flow statement, though large businesses might have more complex Funds flow systems as required.

2. OBJECTIVES OF THE STUDY

- To know the operational efficiency of Hero MotoCorp Ltd Limited(**PHOENIX MOTORS PVT LTD**)
- To study & prepare Funds Flow Statements.
- To analyze the movement of funds between the dates of two balance sheets in period of study 2017-2022
- To identify the changes in the elements of focus and uses of working capital in between above mentioned year.
- To improve the financial performance of the company.

3. Research Methodology:

PRIMARY DATA

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.

SECONDARY DATA

The secondary data was collected form already published sources such as annual reports, returns and internal records.

THE DATA COLLECTION INCLUDES:

a. Data collected from annual reports of Hero MotoCorp Ltd (**PHOENIX MOTORS PVT LTD**).
b. Reference form textbooks relating to financial management.

RESEARCH TOOLS: Funds Flow Statement

Tools of Analysis

Various statistical tools such as percentages averages were used to process the date, of effectiveness of funds flow in organization & management in Hero MotoCorp Ltd **(PHOENIX MOTORS PVT LTD).**

Research Design: Analytical Study

Data Sources : Secondary Data

SCOPE OF THE STUDY:

Financial analysis consists of ratio analysis and funds flow analysis. To know funds flow from one to one, as the time available is very li8mite3d and the subjects are very vast, the study is continued to overall financial condition of a firm. This study is to know working capital increase or decrease funds from operation, sources and application of funds of **M/S** Hero MotoCorp Ltd **(PHOENIX MOTORS PVT LTD).**

Financial analysis consists of funds flow analysis. To know funds flow from one to one, as the time available is very limited and study is continued to over all financial condition of a firm. The study to know working capital increase or decrease, funds from operation, source and application of funds

4. **LIMITATIONS OF THE STUDY**:

- The study is only pertaining to Hero MotoCorp Ltd **(PHOENIX MOTORS PVT LTD)**.
- The period of study is of 5 years i.e 2018-2022 and the performance evaluation is also limited to 5 years.
- The study is purely based on the data available the form of annual reports...
- Analysis is only means and not an end itself; different people interpret the same analysis in different ways.
- The over all financial performance is taken into consideration with out taking into account the minute values or individual values.

This study is conducted with in a short period. The time factor is also a limitation.

5. **Funds Flow Statement**

In every concern, the funds flow in form different sources and similarly funds are invested in various sources of investment. It is continuous process. The study and control of this funds-flow process (i.e., the uses and sources of funds) is the main objective of

financial management to assess the soundness and the solvency of the enterprise.

The funds-flow-statement is a report on financial operations changes, flow or movements during the period. It is a statement which shows the sources an application of funds or it shows how the activities of a business are financed in a particulate period. In other words, such a statement shows how the financial resources have been used during a particular period of time. It is, thus, a historical statement showing sources and application of funds between the two dates designed especially to analyse the changes in the financial conditions of an enterprise. In the words of Foulke, it is-

"A statement of Sources and Application of Funds is a technical device designed to analyse the changes in the financial condition of a business enterprises between two dates."

Funds Flow Statement is not an income statement . Income statement shows the items of income and expenditure of a particular period, but the Funds flow statement is an operating statement as it summaries the financial activities for a period of time. It covers all movements that involve an actual exchange of assets.

Various titles are used for this statement such as 'Statement of sources and Application of Funds', 'Summary of Financial operations,' 'Changes in Financial Position', 'Fund received and Disbursed', 'Funds Generated and Expended', Changes in Working Capital", "Statement of Fund' etc. Title of Funds Flow Statement has been modified from time to time. Really it is very difficult to find a short time for such statement which carries much to the readers regarding its contents an functions.

A new interpretation of the term 'funds, has now been adopted as to include assets or financial resourceful which do not flow through the working capital accounts. It seems to be the most suitable meaning fort the term 'funds' but the most commonly used interpretation of the term 'funds' is 'working capital'

6. DATA ANALYSIS AND INTERPRETATION

Composition of current Assets

(All the amounts are in Cr)

Particulars	2017-18	2018-19	2019-20	2020-21	2021-22	Avg.
Inventory	524.93	675.57	636.76	669.55	815.49	3322.3
Sundry Debtors	130.59	272.31	665.00	920.58	1389.59	3378.07
Cash and Bank	71.52	56.10	181.04	117.50	159.25	585.41
Loans & Advances	728.66	926.99	1401.95	1203.54	1378.02	5639.16
Other current Assets	48.87	20.72	0.00	0.00	0.00	
Total	1504.57	1951.69	2884.75	2241.62	3742.35	69.59

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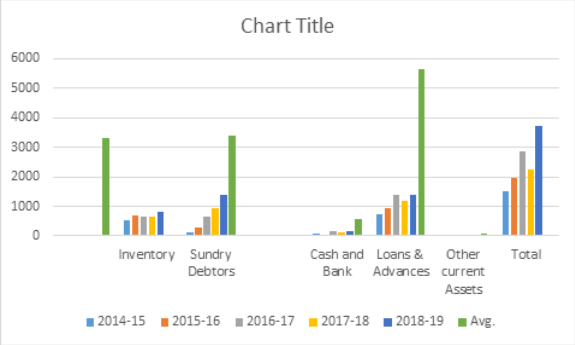

The income statement is also called as income statement, it is considered to be the most useful of all financial statements. It prepared by a business concern in order to know the profit earned and loss sustained during a specified period. It explains what has happened to a business as a result of operations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

The nature of Income which is a focus of the income statement can be well understood if business is taken as an organization that uses "Input" to produce "Output". The output of the goods and services that the business provides to its customers. The values of these outputs are the goods and services that the business provides to its customers. The values of these outputs art the amounts paid by the customers for them. These amounts are called "revenues" in the accounting. The inputs are the economic resources used by the business in providing these goods and services. These are termed "expenses" in accounting.

7. FINDINGS

1. The Hero MotoCorp Ltd net working capital is satisfactory between the years 2018-2022 since it shows decreasing trend ; but after that it is in declining position.
2. The current assects of Hero MotoCorp Ltd is satisfactory during the period of study 2018-2022 to 2021-22. It is increased but after that it is declining.
3. Fixed assets of Hero MotoCorp Ltd increased. The company has to maintain this.
4. Inventory turnover of Hero MotoCorp Ltd is also increased gradually, without any fit falls up to 2018-2022. But in the year 2021-22 it is declined, and again it has increased in the year 2020-21. Good inventory management is good sign for efficient management
5. Total Assets turnover of Hero MotoCorp Ltd is not satisfactory because it is always below one, except in the year 2020-21 having a value of 1.58
6. Return on investment is not satisfactory. This indicates that the company's funds are not being utilized in a better way.

SUGGESTIONS

- Net working capital is very low; it is suggested to maintain sufficient net working capital.
- Effective inventory management is needed in the company

- The firm should increase investment in current assets to create sufficient securities for the current liabilities
- 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.

8. CONCLUSION

The Hero MotoCorp Ltd net working capital is satisfactory between the years since it shows increasing trend; but after that it is in declining position Profit Margin of Hero MotoCorp Ltd is decreasing and showing negative profit because there is increase in the price of copper The Hero MotoCorp Ltd Net Working Capital Ratio is satisfactory.

The Operating Ratio of Hero MotoCorp Ltd isn't satisfactory. Due to increase in cost of production, this ratio is decreasing. So the has to reduce its office administration expenses Improve position funds should be utilized properly. Better Awareness to increase the sales is suggested. Cost cut down mechanics can be employed. Better production technique can be employed.

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