

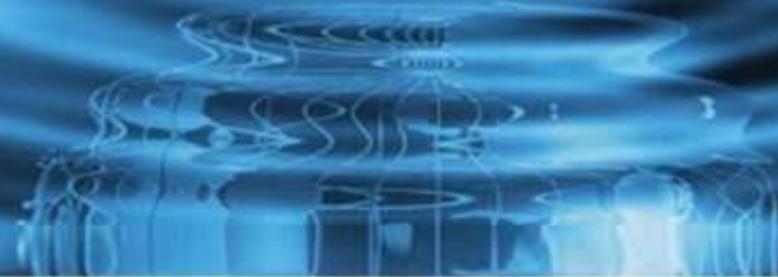


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# A STUDY ON FUND FLOW STATEMENT AT TATA MOTORS LIMITED

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## I. ABSTRACT

Fund flow statement is a statement showing sources and application of funds for a period of time. • Fund flow statement is one of the valuable tool in the hand of management to evaluate the uses of funds by the organisation and in determining as to how these uses are financed. • Fund flow statement is statement which discloses the analytical information about the different sources of fund and the application of the same in the specific accounting cycle. • In other words, it incorporates those transactions which change either the amount of current assets or current liabilities (in the form of increased or decreased working capital) or fixed assets, long-term loans and equity capital. • Fund flow statement is also called the 'Statement of Sources and Application of Fund 'Movement Funds Statement'. • Fund flow statement attempts at providing a link in the completion of final statements .

## STATEMENT OF THE PROBLEM

A funds flow statement is a statement that comprises the inflows and outflows of funds. It includes the sources 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. This article explains the funds flow statement, its components, importance and limitations

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## II. 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.

A fund flow refers to the inflow and outflow of funds or assets for a company and is often measured on a monthly or quarterly basis. A fund flow statement reveals the reasons for these changes or anomalies in the financial position of a company between two balance sheets. These statements

portray the flow of funds or the sources and applications of funds over a particular period. The Funds Flow Statement is a statement which shows 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.

## III. NEED OF THE 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.
- 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.
- 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.

## IV. OBJECTIVE OF THE STUDY:

- To study the operational efficiency of TATA MOTORS LTD.
- To examine the manner in which the operations have been financed, and how the financial resources have been used.
- To analyze the movement of funds between the dates of two balance sheets in period of study.
- To examine the changes in the working capital.
- To study the financial performance of the company.
- To analyze the financial performance of the company.
- To study the attention on resources available for capital investment.
- They provide useful guide to creditors & lenders

## V. 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 limited 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 TATA MOTORS LTD.

The scope of this paper is to study the various segments in the automobile

industry as the automobile industry is evolving heavenly with more of foreign players entering into the domestic market. The scope of the study is also to study the product offered by TATA Motors to its customers for the same and also to study the various factors which are the root causes for the increasing market share in A2 segment. The analysis covers the years 2017- 2018, 2018-2019, 2019- 2020, 2020-2021, 2021-2022 and 2022-2023 for examining financial statements such as income statements and balance sheets. The study's scope includes the numerous variables that influence the company's financial position. The research takes into account data from the previous five years. Funds flow statement is an important financial tool, which analyzes the changes in financial position of a firm showing the sources and applications of its funds. It provides useful information about the firm's operating, financing and investing activities during a particular period. It attempts to manage and control the current assets and the current liabilities in order to maximize profitability and ensure proper liquidity in business.

#### RESEARCH METHODOLOGY: RESEARCH:

#### SECONDARY DATA

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

#### THE DATA COLLECTION INCLUDES:

- Data collected from annual reports of TATA MOTORS.
- Reference from JOURNAL AND PERIODICAL 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 TATA MOTORS LTD.

Research Design: Analytical Study

Sources: Secondary Data

#### VI. DISCRIMINATION ANALYSIS/LIMITATIONS OF THE STUDY:

- The study is only pertaining to TATA MOTORS.
- The period of study is of 5 years and the performance evaluation is also limited to 5 years.
- The study is purely based on the data available in the form of annual reports.
- Analysis is only means and not an end itself; different people interpret the same analysis in different ways.
- The overall financial performance is taken into consideration without taking into account the minute values or individual values.
- The duration of the project is 45 days only.

#### VII. REVIEW OF LITERATURE

#### ARTICLE : 1

**TITLE :** Working capital and funds flow components.

**AUTHOR :** Emel Kahya Managerial Finance , volume: 23 Issue: 3, 2097.

**ABSTRACT :** The purpose of this paper is to assess the usefulness of financial ratios derived from working capital based funds flow information to predict the failure of US industrial firms. Unlike cash- based funds flow ratios, used in the previous papers, capital- based funds ratios are therefore they are expected to be better predictors of less volatile, business failure. Moreover, the paper utilizes a more general definition of business failure than the legal definition. The analysis is carried out using a stepwise logit procedure. The results indicate that working capital - based funds flow measures are superior to cash- based funds flow measures in business failure prediction models.

#### ARTICLE: 2

**TITLE:** Performance of the fund.

**AUTHOR:** Fredrik Kopsch, Han-Suck Song, Mats Wilhelmsson Managerial Finance, volume: 41 issue:1, 2018.

**ABSTRACT :** The purpose of this paper is to study the determinants of aggregate fund flows to both equity and hybrid mutual funds. The authors test three hypothesis that help explaining the relationship between mutual fund flows and stock market returns, namely, the feedback -trader hypothesis, the price - pressure hypothesis, and the information-response hypothesis. Design /methodology/approach the study relies on

Swedish quarterly data on mutual fund flows over the period 2098-2018.

### ARTICLE :3

**TITLE :** Fund flows and past performance in Australian managed funds.

**AUTHOR :** Rakesh Gupta, Thadavilil Jithendranathan Accounting Research Journal, volume: 25 issue : 2, 2012.

**ABSTRACT :** The purpose of this paper is to examine the various segments of the managed funds market to establish if there is any significant difference in the way the assets are allocated into various asset categories and if investors base their investment decisions based on the past performance of the fund. Design/methodology/approach- an average investor who does not possess superior investment knowledge may base their investment decision on the past performance of funds resulting in flow based on past performance. This study uses a panel regression model to test the relationship between net flows and past excess returns.

### ARTICLE: 4

**TITLE :** Utilization of funds

**AUTHOR :** Nick Bontis, William CHAU KEOW, Stanley Richardson , Journals of intellectual capital, vol issue : 1 p-p :85-100.

**ABSTRACT:** The major findings in this study were that current assets constituted more than

### VIII. DATA ANALYSIS AND INTERPRETATION

#### Data Analysis

#### 4. DATA ANALYSIS AND INTERPRETATION

Table 4.1. Composition of current Assets (All the amounts are in Cr)

Particulars	2017-18	2018-19	2019-20	2020-21	2021-22	Avg.
<b>Inventory</b>	<b>524.93</b>	<b>675.57</b>	<b>636.76</b>	<b>669.55</b>	<b>818.49</b>	<b>3322.3</b>
<b>Sundry Debtors</b>	<b>160.59</b>	<b>272.31</b>	<b>665.00</b>	<b>920.58</b>	<b>1689.59</b>	<b>3378.07</b>
<b>Cash and Bank</b>	<b>71.52</b>	<b>56.10</b>	<b>201.04</b>	<b>120.50</b>	<b>189.25</b>	<b>585.41</b>
<b>Loans &amp; Advances</b>	<b>728.66</b>	<b>926.99</b>	<b>1701.95</b>	<b>1603.54</b>	<b>1678.02</b>	<b>5639.19</b>

23 percent of the total assets in the national jute manufactures corporation limited a public sector undertaking OF GOVERNMENT OF India. The analysis of current assets to turnover or current assets to sales ratio revealed that although the ratio has decreased over a period of time but expecting a few years the same is high , in some cases the ratio is also high which inputs an efficient utilization of funds.

### ARTICLE: 5

**TITLE :** Study of current assets

**AUTHOR :** Agyenim Boateng, International Journal Of Social Economic , vol 31, Issue ; 1-2 ,p-56. **ABSTRACT:** It studied working capital analysis of state road transport undertaking in Tamilnadu and identified the financial performance of the state road transport undertaking with the help of ratio analysis. The study showed no improvement in the financial performance of either the parent corporations or the offshoot corporations. Since the working capital showed a negative figure in the majority of years, thereby indicating inadequacy of current assets to meet current liabilities ,on which management have no control. The results also showed that there was no uniformly between the corporations as to the influence of factors identified on the study of current assets.

<b>Other current Assets</b>	<b>48.87</b>	<b>20.72</b>	<b>0.00</b>	<b>0.00</b>	Input to produce “Output”. The values of these outputs are 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.
<b>Total</b>	<b>1804.57</b>	<b>2051.69</b>	<b>2884.75</b>	<b>2241.62</b>	<b>3742.35</b>

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

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

Table 4.2 STATEMENTS OF CHANGES IN WORKING CAPITAL

Rs in Crors

Working capital turnover ratio 2021-2022		
Working capital turnover ratio	2021	2022
Total current Assets		
Inventories	669.55	818.49
Sundry Debtors	920.58	1689.59
Cash and Bank Balances	120.50	189.25
Other Current Assets	0.00	0.00
Loans and Advances	1603.54	1678.02
Total	2911.20	3742.35
Total Current Liabilities		
Current Liabilities	2903.16	3200.69
Provisions	1894.31	799.68
Total	4497.43	3,980.37
Net working capital	-1886.26	-1648.24
Increase\decrease in net working capital	-238.02	

Interpretation:

The networking capital of TATA MOTORS LTD has been decreased

to 238.02 Cr the financial position i.e. the performance of TATA

MOTORS LTD has decreased and the current assets defects its current liability.

Note: financial position may depend on long term liabilities and also fixes assets.

Rs in cr

Table 4.3. STATEMENT OF SOURCES AND APPLICATION OF FUNDS FOR THE PERIOD (2021-22)

Source	Rs.	Application	Rs.
Issue of share capital	39.94	Funds lost in operation	0.00
Raising of long term loans	0.00	Repayment of long term loans	0.00
Sale of non-current (fixed) assets	337.70	Purchase of long term investments	-1820.64
Non-trading receipts	0.00		
Sale of investment	1,378.02		
Decrease in working capital	-238.02		
Graph 4.3	1820.64		1820.64

#### Interpretation

It is concluded that during the period 2021-22 Increasing gross block and net Decreasing in working capital.

Table 4.4. STATEMENT OF CHANGES IN WORKING CAPITAL

Rs in Crores

Working capital turnover ratio 2021		
Working capital turnover ratio	2020	2021
Total current Assets		
Inventories	636.76	669.55

Sundry Debtors	665.00	920.58
Cash and Bank Balances	201.04	120.50
Other Current Assets	0.00	0.00
Loans and Advances	1701.95	1603.54
<b>Total</b>	<b>2884.75</b>	<b>2911.20</b>
<b>Total Current Liabilities</b>		
Current Liabilities	2893.39	2903.16
Provisions	1739.86	1894.31
<b>Total</b>	<b>4333.25</b>	<b>4497.43</b>
Net working capital	-1748.50	-1886.26
Increase\decrease in net working capital	-167.76	

**Interpretation:**

The networking capital of TATA MOTORS LTD has been decreased to 167.76 Cr the financial position i.e. the performance of TATA MOTORS

LTD has decreased and the current assets defects its current liability.

Note: financial position may depend on long term liabilities and also fixes assets.

**TABLE 4.5 STATEMENT OF SOURCES AND APPILICATION OF FUNDS FOR THE PERIOD (2020-21)**

Rs in cr

Source	Rs.	Application	Rs.
Issue of share capital	39.94	Funds lost in operation	0.00
Raising of long term loans	0.00	Repayment of long term loans	0.00
Sale of non-current (fixed) assets	446.38	Purchase of long term investments	-1852.10
Non-trading receipts	0.00		
Sale of investment	1603.54		

Decrease in working capital	-167.76		
	<b>1852.10</b>		<b>1852.10</b>

### Interpretation

It is concluded that during the period 2019-20 Increasing gross block and net Decreasing in working capital.

### IX. FINDINGS

1. The net working capital of TATA MOTORS LTD has been decreased to 238.02 Cr in the year 2021-2022 financial position i.e. the performance of TATA MOTORS LTD has decreased and the current assets defects its current liability.
2. The net working capital of TATA MOTORS LTD has been decreased to 167.76 Cr in 2020-21 the financial position i.e. the performance of TATA MOTORS LTD has decreased and the current liabilities defects its current assets.
3. The net working capital of TATA MOTORS LTD has been decreased to 1610.54 Cr in 2019-20 the financial position i.e. the performance of TATA MOTORS LTD has decreased and the current assets defects its current liability.
4. Total Assets turnover ratio of TATA MOTORS LTD is not satisfactory because it is always below one, except in the year 2021-22 having a value of 1.03.
5. Return on investment is not satisfactory. This indicates that the company's funds are not being utilized in a better way.

### XII. 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.

### CONCLUSION

The TATA MOTORS 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 TATA MOTORS LTD is decreasing and showing negative profit because there is increase in the price of copper. The TATA MOTORS LTD Net Working Capital Ratio is satisfactory.

The Operating Ratio of TATA MOTORS 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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