

A Study on Fund Flow Management With Reference To YB Solutions

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ABSTRACT

The objective of this study is to determine the operational efficiency of the company using ratios, to know the changes in financial statement for the past 5 years by using working capital statement, to forecast the future changes using the trend analysis, to conduct fund flow statement for 2017-2021, to identify the financial strength and weakness that the company might have and to analyze the relationship between Net profit and EPS using Correlation analysis. The scope for this project is that the study covers all the components of current assets and current liabilities for the year 2017-2021, the study also deals with the various ratios imparted in the organization, and the working capital is one of the dynamic and vital aspects of the business operation. This project helps the company to achieve the objectives by using ratio analysis and then arriving at conclusions, which are important to understand the efficiency / inefficiency of Cash. It helps the company to analyze whether the cash required to meet out the current liabilities is maintained at a normal level that shows the company follows an average policy. The firm has to invest enough funds in current asset for generating sales. Current asset are needed because sales do not convert into cash instantaneously. There is always an operating cycle involved in the conversion of sales into cash.

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I. INTRODUCTION

Corporate finance is concerned with budgeting, financial forecasting, cash management, credit administration, investment analysis and fund procurement of the business concern and the business concern needs to adopt modern technology and application suitable to the global environment. According to the Encyclopedia of Social Sciences, "Corporation finance deals with the financial problems of corporate enterprises. These problems include the financial aspects of the promotion of new enterprises and their administration during early development, the accounting problems connected with the distinction between capital and income, the administrative questions created by growth and expansion, and finally, the financial adjustments required for the bolstering up or rehabilitation of a corporation which has come into financial difficulties". Finance is one of the important and integral part of business concerns, hence, it plays a major role in every part of the business activities. It is used in all the area of the activities under the different names.

Financial management is an integral part of overall management. It is concerned with the duties of the financial managers in the business firm. The term financial management has been defined by Solomon, "It is concerned with the efficient use of an important economic resource namely, capital funds". The most popular and acceptable definition of financial management as given by S.C. Kuchal is that "Financial Management deals with procurement of funds and their effective utilization in the business".

Howard and Upton: Financial management "as an application of general managerial principles to the area of financial decision-making. Weston and Brigham : Financial management "is an area of financial decision-making, harmonizing individual motives and enterprise goals".

Joshep and Massie : Financial management "is the operational activity of a business that is responsible for obtaining and effectively utilizing the funds necessary for efficient operations. Thus, Financial Management is mainly concerned with the effective funds management in the business. In simple words, Financial Management as practiced by business firms can be called as Corporation Finance or Business Finance.

II. OBJECTIVES OF THE STUDY

- To study the fund flow management of YB Solutions
- To determine the operational efficiency of the company using ratios.
- To know the changes in financial statement for the past 5 years by using working capital statement.
- To conduct fund flow statement for 2017-2021.

- To identify the financial strength and weakness that the company might have.
- To analyze the relationship between Net profit and EPS using Correlation analysis

NEED OF THE STUDY

- To understand that an ongoing approach to the problem is essential and that short term responses may have negligible effect.
- Data such as savings ratio, debt-to-income ratio, self-evaluation of the productivity, performance rating, and absenteeism are difficult to gather as individuals may not know the exact figures of each category or may not want to reveal this information

III. RESEARCH DESIGN AND METHODOLOGY

Research design is specification of methods and procedures for acquiring the information needed to structure or to solve problem. Research design is defined as, “the arrangement of condition for collection and analysis of the data in a manner that aims to combined relevant to the research purpose with economy in procedure”

Analytical research technique was adopted in this project. The researcher used analytical type of research to analyze the past data based on which certain future decision can be made.

IV. SOURCE OF DATA

SECONDARY DATA

These data, which have already been collected, compiled and presented earlier by any agency, may be used for the purpose of investigation. Such data may be called secondary data. Secondary data may earlier be published data or unpublished data. Usually published data are available in annual report.

ANNUAL REPORT

It provides all the information about the company for the accounting period. This enables to understand the existing performance of the company.

TOOLS USED FOR THE STUDY

- i) Ratio analysis
- ii) Working Capital Management
- iii) Fund flow Statement.
- iv) Trend Analysis

V. ANALYSIS AND INTERPRETATION

RATIO ANALYSIS

5.2.1 CURRENT RATIO

Current ratio is an index of the concern’s financial stability. If a higher current ratio is an indication of in adequate employment of funds, a poor current ratio is a danger signal to the management.

$$\text{Current Ratio} = \frac{\text{Current Assets}}{\text{Current Liability}}$$

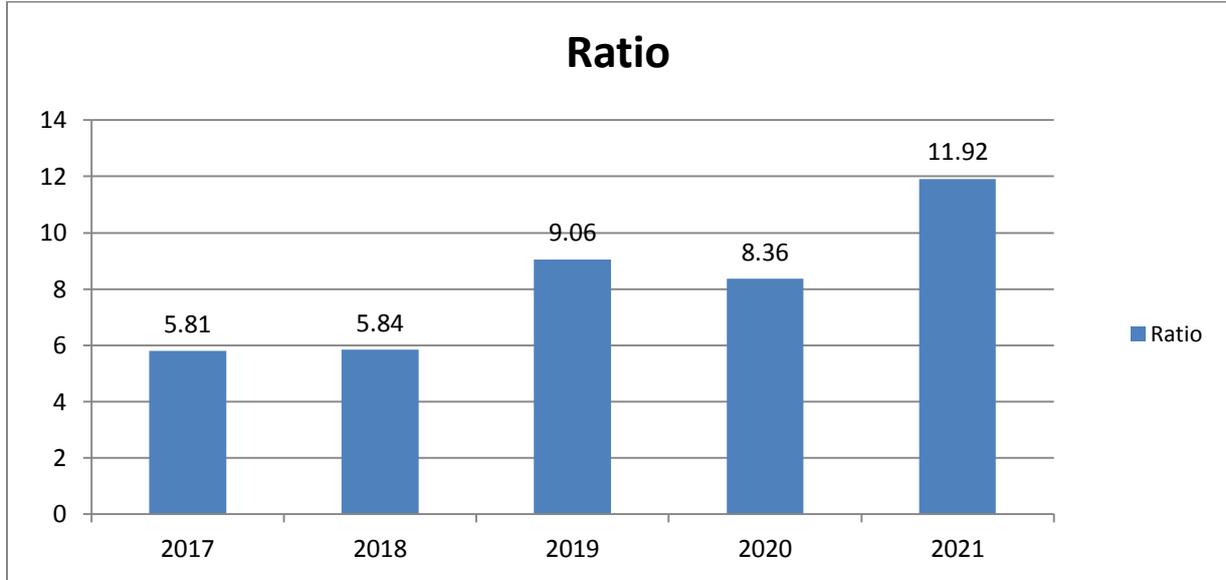
TABLE: 5.2.1 CURRENT RATIO

Year	Current Asset	Current Liability	Current Ratio
2017	484234.54	83362.30	5.81
2018	646907.00	110697.57	5.84
2019	728098.00	80336.70	9.06
2020	879593.60	105248.39	8.36
2021	964742.06	80915.09	11.92

SIGNIFICANCE

It shows that current ratio was high in the year 2021 with 11.92 and low in the year 2017 with 5.81. The current year (2021) current ratio is found to be the highest (11.92) due to the decrease in the liabilities.

CURRENT RATIO



TREND ANALYSIS

SHOWING TREND PERCENTAGE OF CURRENT ASSETS

Years	Current Assets (Y)	X	XY	X ²	y=a+b(x)
2017	484234.50	-2	968469	4	501974.7
2018	646907	-1	-646907	1	621344.9
2019	728098	0	0	0	740715
2020	879593.6	1	879593.6	1	860085.2
2021	964742.06	2	1929484	4	979455.4
Total	3703575.16	0	1193702	10	

$$a = \frac{\sum y}{N} = \frac{3703575.16}{5} = 740715$$

$$b = \frac{\sum xy}{\sum x^2} = \frac{1193702}{10} = 119370.2$$

Estimation of sales for 2021

Y = a + bx

For 2021,

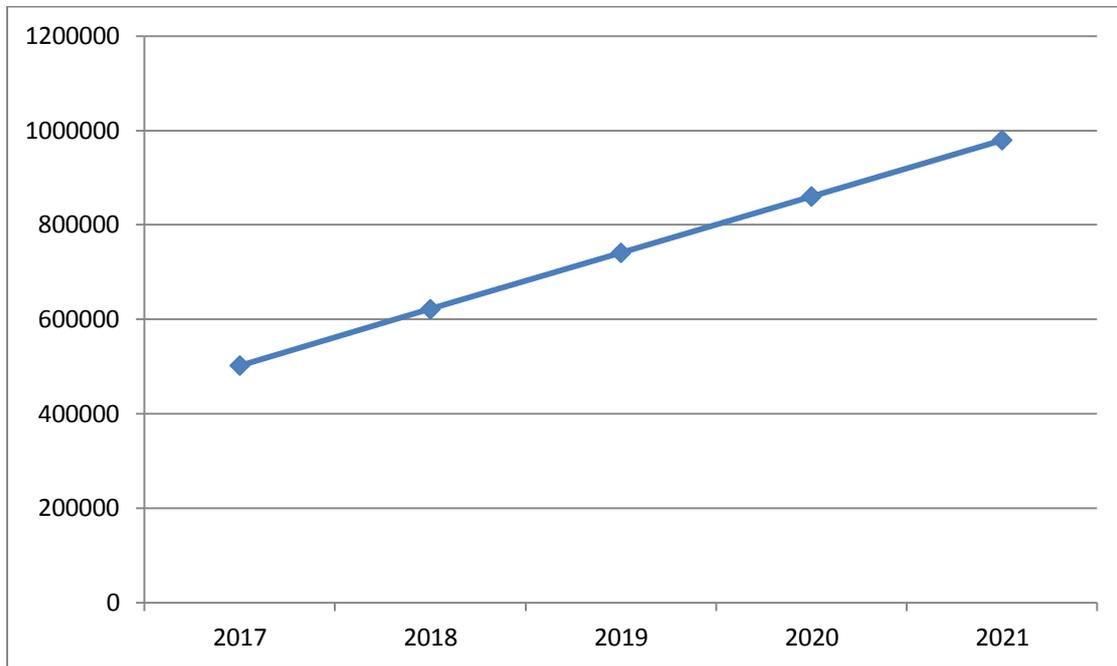
X = 3,

Y = 740715 + 1193702 (3)
= 4321821

Estimation of sales for 2021

Y = a + bx
 For 2020, when X = 4,
 Y = 740715 + 1193702 (4)
 = 5515523

SHOWING TREND PERCENTAGE CURRENT ASSETS



SIGNIFICANCE

From the above it is inferred that the current assets of the company is high in the year 2021 with Rs. 964742.06 when compared to the previous year 2020 (879593.6). From the above chart it is shown that the Current assets is tend to Increase in the future.

STANDARD DEVIATION CALCULATION OF NET PROFIT

Year	NET PROFIT (x)	$\bar{x} = \sum X/5$	$X - \bar{x}$	X^2
2017	6729.46	8820.29	-2090.83	4371570.089
2018	9121.57	8820.29	301.28	90769.6384
2019	9166.39	8820.29	346.10	119785.21
2020	7370.69	8820.29	-1449.60	2101340.16
2021	11713.34	8820.29	2893.05	8369738.303
$\sum X$	44101.45		$\sum X^2$	15053203.40
			$\sum X^2 / N$	3010640.68
			S.D =	1735.12

INFERENCE:

The greater the S.D, the greater will be the magnitude of the deviations of the values from the mean. The S.D measures the variability of values. Net profit is fluctuating throughout the period of study. Net profit is high in 2021 and very low in 2017. The Standard Deviation for NP is 1735.12

CORRELATION CALCULATION OF NET PROFIT AND EPS

Year	NET PROFIT (X)	X ²	EPS(Y)	Y ²	XY
2017	6729.46	29357.39	106.56	11355.0336	717091.3
2018	9121.57	26425.75	143.67	20641.0689	1310496
2019	9166.39	233462.91	144.37	20842.6969	1323352
2020	7370.69	266204.40	116.07	13472.2449	855516
2021	11713.34	92695.89	174.15	30328.2225	2039878
∑□ =	44101.45	404040781.8	684.82	96639.2668	30202055
				CORRELATION	0.995787

INFERENCE:

There is a high degree of correlation between Net profit and EPS because the correlation value (**0.995787**) is more than 0.05. It measures the closeness of relationship between Net profit and EPS and they both have a positive correlation.

VI. SUGGESTIONS

- There are various global challenges that are faced by every company in the present competitive environment and YB Solutions is not an exemption. To face the present global challenges the human resources department should be developed to improve various skills among the employees specially the motivational skills and having the regular training for the employees about various developments in the market.
- The current assets should be managed more effectively so as to avoid unnecessary blocking of capital that could be used for other purposes.
- The Working Capital requirement is to be assessed based on the norms circulated by RBI
- The company has maintained proper records showing full particulars, quantitative details and solutions of fixed assets are indicated for major items in the register, the managements during the year has conducted a random verification in respect of fixed assets, which in our opinion is reasonable, having regard to the size of the company and the nature of its assets.

VII. CONCLUSION

The company is performing exceptionally well due to the upwising in the global market followed by the domestic market. It is an upcoming one with good and innovative ideas and believed in improving all the areas of its operations. The company has a good liquidity position and does not delay its commitment in cash of both its creditors and debtors. The company being mostly dependent on the working capital facilities, it is maintaining very good relationship with their companies and their working capital management is well balanced.