

FIXED ASSETS MANAGEMENT WITH REFERENCE TO KESORAM CEMENT

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DOI: <https://www.doi.org/10.58257/IJPREMS34853>

ABSTRACT

Fixed Assets are the assets held with the intention of being used on continuous basis for the purpose of producing or providing goods or services and are not held for resale in the normal course of business. E.g.: Land and Buildings, Plant and Machinery, Motor Vehicles, Furniture and Fixtures. Valuation of fixed assets is important to have fair measure of profit or loss and financial position of the concern. Fixed assets are meant for use for many years. The value of these assets decreases with their use or with time or many other reasons. A portion of fixed assets are reduced by usage are converted into cash through charging depreciation. For correct measurement of income, proper measurement of depreciation is essential, as depreciation constitutes a Part of total cost of production. Financial transactions are recorded in the books, keeping in view the going concern aspect of the business unit. In going concern aspect it is assumed that the business unit has reasonable expectation of continuing the business for a profit for an indefinite period of time. This assumption provides much of the justification for recording fixed assets at original cost and depreciating them in a systematic manner without reference to their current realizable value.

Keywords: Asset Allocation Management, Financial Ratios.

1. INTRODUCTION

It is useless to record the fixed assets in the balance sheet at their estimated realizable values if there is no immediate expectation of selling them. So, they are shown at their book value (i.e., Cost – Depreciation) and not at current realizable value. The market value of the fixed assets may change with the passage of time, but for accounting purpose it continues to be shown in the books in historical cost. The cost concept of accounting states that depreciation calculated on the basis of historical cost of old assets is usually lower than the amount calculated at current value/ replacement value. These results in more profits, which if distributed in full will lead to reduction in capital.

Accounting standard for fixed assets (as-10):

AS-10 on Accounting for Fixed Assets has been made mandatory with effect from 01.04.1991. According to the AS-10, “**Fixed Asset** is an asset held with the intention of being used on continuous basis for the purpose of producing or providing goods or services and is not held for resale in the normal course of action”. Gross book value of fixed asset is its historical cost or other amount substituted for historical costs in the books of accounts or financial statements. When the amount of depreciation is deducted from gross book value then it is Net Book Value.

Cost of Fixed Assets should consist of purchase price including import duties etc., and attributable cost of bringing the asset to its working condition for its intended use. Financing costs relating to borrowed funds attributable to construction or acquisition of fixed assets for the period up to the acquisition or completion. Expenditure incurred in start-up and commissioning of the project including test runs.

Revaluation of assets: Fixed assets may be restated in the value with the help of appraisal under taken by the competent values. Such valuation of assets is called revaluation.



2. REVIEW OF LITERATURE

ARTICLE: 1

TITLE: Fixed Asset Management in Public Sector Organisation; Economic Impact on a Developing Country

Author: Emmanuel Ikechukwu Okoye

Source: Natural Journal of Banking and Finance

This research work is on Fixed Asset Management in Public Sector Organizations with a reflection on its Economic Impact on a Developing Country with focus on Nnamdi Azikiwe University (NAU). The problem necessitating this study is the stealing, vandalisation and abandonment of fixed assets in the public sector organizations in Nigeria. The main objective of the paper, therefore, is to find the causes of these problems and ways of solving them. In carrying out this research, both primary and secondary data were used. Simple percentages and the chi-square statistical tool were used in analyzing the data. After the research, a number of findings were made, which included the fact that Nigerians have poor maintenance culture among others. Consequent upon the findings, we concluded that there is need to inculcate discipline, care and trustworthiness in the lives of staff, in the light of the above conclusion, some recommendations were made which included that staff should be adequately motivated (financially and otherwise) to enable the staff, not only care for these properties, but to look beyond looting them. The researchers believe that if all these are put in place Fixed Asset Management would yield its maximum economic benefit to any developing country.

ARTICLE: 2

TITLE: A Study On Fixed Assets Management

Author: 1a.haritha, 2k. Divya

Source: JES Journal of Engineering Sciences

Fixed asset, also known as a non-current asset or as property, plant, and equipment (PP&E), is a term used in accounting for assets and property which cannot easily be converted into cash. This can be compared with current assets such as cash or bank accounts, which are described as liquid assets. In most cases, only tangible assets are referred to as fixed. Moreover, a fixed/non-current asset can also be defined as an asset not directly sold to a firm's consumers/end-users. As an example, a baking firm's current assets would be its inventory (in this case, flour, yeast, etc.), the value of sales owed to the firm via credit (i.e. debtors or accounts receivable), cash held in the bank, etc. Its non-current assets would be the oven used to bake bread, motor vehicles used to transport deliveries, cash registers used to handle cash payments, etc. Each aforementioned non-current asset is not sold directly to consumers.

ARTICLE: 3

TITLE: a study on fixed assets management in LG Electronics

Author: 1balavanthula sairam, 2 I shireesha, 3dr. vara lakshmi thavva

Source: International Journal of Scientific Development and Research (IJS DR) www.ijedr.org

Every company owns a fixed asset that is used in its business operations. To maintain a complete, accurate, and up-to-date fixed asset can be a challenge if tracking the asset without an automated process. PT. Invest Systems, an IT based Automation Company owns fixed assets such as furniture, vehicles, office equipment, etc. which the data are stored in an excel spreadsheet. The increasing number of fixed assets lays difficulties for the staff to be able to accurately track and manage the assets. This paper intends to develop a fixed asset management system to computerize the manual form of PT. Invest Systems fixed assets. "Avoca Systems" will help the company manage their assets, maintain a more detailed asset records, automate depreciation, as well as maintain the conditions of the assets through daily maintenance. Furthermore, this system can help notify the staff members to manage the assets that they are responsible for through Telegram Bot via Telegram Messenger as an interface and determine the performance capabilities of it.

RESEARCH GAP:

Many studies are considered in this analysis regarding Fixed Assets management of any manufacturing or Service Company. Only few studies are identifying the How much amount spend for fixed assets in the form of Capital and Revenue Expenditure of the company for the period of the study.

OBJECTIVES:

- ❖ The study is conducted to know the amount of capital expenditure made by the company Kesoram Cement during study period 2018-19 to 2022-23.
- ❖ The study is conducted to evaluate fixed assets performance of kesoram.

- ❖ The study is conducted to evaluate the fixed assets turnover of Kesoram.
- ❖ The study is conducted to evaluate depreciation and method of depreciation adopted by Kesoram.
- ❖ The study is conducted to know the amount of finance made by long-term liabilities and owners funds towards fixed assets.

3. RESEARCH METHODOLOGY

Scope Of The Study

- The project is covered of fixed Assets of Kesoram Cement. drawn form annual report of the company.
- The fixed assets considered in the project is which cannot be converted into cash with one year.
- Ratio analysis is used for evaluating fixed assets performance of Kesoram Cement.

Need For The Study

- The need is to evaluate that if fixed assets are liquidated, what proportion of it will contribute for the payment of owners fund and long-term obligations.
- The study is quickly create assets based on unlimited asset types, and report on them
- The study is required for the companies to evaluate fixed assets performance analysis time to time by comparing with pervious performance.
- Fixed asset information is used for a graphical user to interface with one-button access information.
- Chain depreciation methods are used to support comprehensive fixed asset valuations.

Data Collection

The data used for the analysis and interpretation is from annual reports of the company i.e., secondary forms of data. Ratio analysis is used for calculation purpose.

The project is presented using tables, graphs and with their interpretations. No survey is undertaken or observation study is conducted by evaluating fixed assets performance of the company.

SOURCES OF DATA:

The data needed for this project is collected from the following sources:

1. The data is adopted purely from secondary sources.
2. The theoretical contents are gathered purely from eminent text books and references.
3. The financial data and information is gathered from annual reports of the company.

PERIOD OF STUDY:

Made a study for the period of 5 years 2018-19 to 2022-23.

TOOLS USED

Ratio Analysis

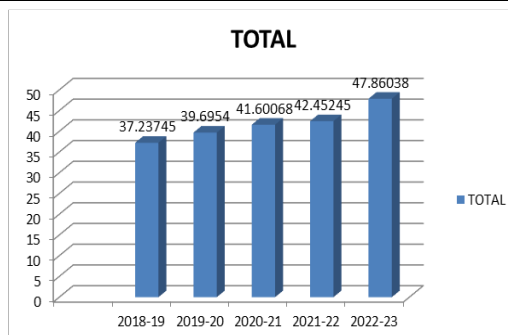
4. DATA ANALYSIS & INTERPRETATION

COMPONENTIAL ANALYSIS:

The componential analysis of the fixed assets includes net blocks, capital (work in progress) and construction stores and advances. The data relating to different components of fixed assets of the Kesoram Cement for 5 years commencing from 2018-19 to 2022-23 are set out in the following table analysis:

TABLE NO 1

Year	Netblock (fixed assets)	Capital w\p)	Total
2018-19	4635.69	124.49	37.23745
2019-20	4941.68	124.49	39.6954
2020-21	11400.25	274.04	41.60068
2021-22	11634.82	274.07	42.45245
2022-23	13122.36	274.18	47.86038



INTERPRETATION:

By observing the above table it reveals that the investment in the net block is in increasing trend. It was 37.23 over the total fixed assets during the year 2018 and it has increased to 47.86 during the year 2022-23.

TREND ANALYSIS:

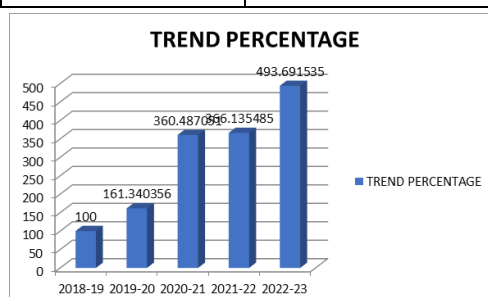
In financial analysis the direction of change over a period of years is of initial importance. Time series and trend analysis of ratio indicates the direction of changes. This kind of analysis is particularly applicable to the profit and loss account. It is advisable that trends of sales and net income may be studied in the light of two factors. The general price level that might be found in practice is that a number of firms would be shown at persistent growth over period of years but to get a true trend of growth, the sales figure should be adjusted by a suitable index of general prices.

In other words, sales figures should be deflated for raising price level. Another method of securing trend of growth and the one which can be used instead of adjusted sales figure or as to check on them is to tabulate and lot the output of physical volume of the sales expressed in suitable units of measure. The general price level is not considered while analyzing trend in growth as it can mislead management. They may become unduly optimistic in period of prosperity and pessimistic in dual periods. For trend analysis the use of index numbers is generally advocated, the procedure followed is to assign the numbers to items of base years and at calculated percentage change in each item of other years in relation to base year. This procedure may be called as "Fixed percentage method" This margin determines the direction of upward or downward and involves the implementation of the percentage relationship of each statement item means on the same in the base year. Generally the first year is taken as the base year. The figures of the base year are taken as 100 and trend ratio for the other years is calculated on the basis of first year. Here an attempt is made to know the growth rate in total investment and fixed assets of the KESORAM CEMENT INDS LTD for 5 years that is 2018-19 to 2022-23.

GROWTH IN TOTAL INVESTMENT:

TABLE NO 1

YEAR	INVESTMENT	TREND PERCENTAGE
2018-19	1034.80	100
2019-20	1669.55	161.340356
2020-21	3730.32	360.487051
2021-22	3788.77	366.135485
2022-23	5108.72	493.691535



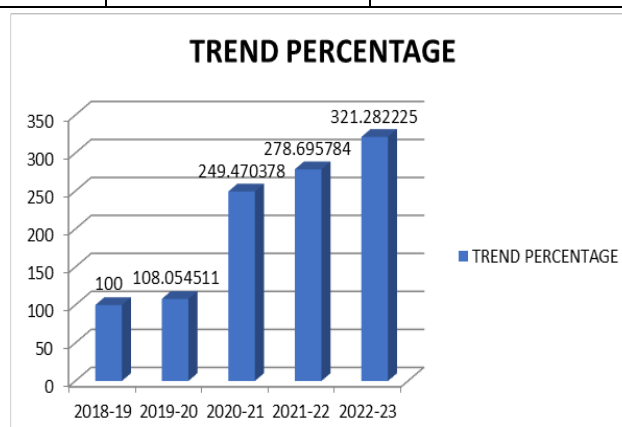
INTERPRETATION:

From the analysis of above table it can be observed that Total Investment of Kesoram Cement had change and the growth rate is increased and in the year 2018 it is the increasing stage and in the year 2021 it is increased due to increase in the current block.

GROWTH RATE IN FIXED ASSETS:

TABLE NO 3

YEAR	FIXEDASSETS	TREND PERCENTAGE
2018-19	4365.38	100
2019-20	4716.99	108.054511
2020-21	10890.33	249.470378
2021-22	12166.13	278.695784
2022-23	14025.19	321.282225



INTERPRETATION:

The above table shows that the investments in fixed assets are increasing. So this is a good sign for the company. When compared to 2018-2023 it is been continuously increased in different ratio percent to 321.28%

5. CONCLUSIONS:

The Fixed asset management of KESORAM CEMENT INDS LTD is quite comfortable with a judicious mix of debt and equity. The overall assessment of financial statement signifies efficient utilization of the investments, loans and advances. The profitability of the company appears to be impressive, as judged by increase in reserves and surplus. The management discussions and analysis by Director's report and opinions expressed by Auditor's report through fixed asset management statements is true and fair view in accordance with the provisions of the companies Acts, and Accounting standards. The overall fixed asset management of the company appears to be more than satisfactory.

6. REFERENCES

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- [3] www.fixedassestsmanagement.com
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