

CASH FLOW STATEMENT ANALYSIS WITH REFERENCE TO MADHUCON SUGAR & POWER INDUSTRY PVT. LTD

Durgapolla Vinay Kumar¹, Dr. U Kanaka Rao²

¹Department of Management Studies Aristotle PG College, Chilkur, Moinabad, Ranga Reddy District, Telangana, India.

²Associate Professor Aristotle PG College, Chilkur, Moinabad, Ranga Reddy District, Telangana, India.

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ABSTRACT

A cash flow statement summary the cases of changes cash position of business enterprise between dates of two balance sheets. According to AS- 3 (Revised), an enterprise should prepare a cash flow statement and should present it for each period for which financial statements are prepared. Cash Flow analysis is very useful to the creditors' investors etc. it is the master key that precedes information relating to the movement in the profits of the organization. Cash equivalents are held for the purpose of meeting short-term cash commitments rather than for investment or other purpose. For an investment to qualify as cash equivalent, it must be readily convertible to a known amount of cash and be subject to an insignificant risk of change risk of change in value. Therefore, an investment normally qualifies as a cash equivalent only when it has a short – maturity, of say, three months or less from the date of acquisition. Investments in shares are excluded from cash equivalents unless they are, in substance, cash equivalents.

Keywords: Cash Flow Statement, Sugar Industry.

1. INTRODUCTION

A cash flow statement tracks the inflow and outflow of cash, providing insights into a company's financial health and operational efficiency. The CFS measures how well a company manages its cash position, meaning how well the company generates cash to pay its debt obligations and fund its operating expenses. As one of the three main financial statements, the CFS complements the balance sheet and the income statement. In this article, we'll show you how the CFS is structured and how you can use it when analyzing a company.

These operating activities might include:

- Receipts from sales of goods and services
- Interest payments
- Income tax payments
- Payments made to suppliers of goods and services used in production
- Salary and wage payments to employees
- Rent payments
- Any other type of operating expenses

Changes in cash from investing are usually considered cash-out items because cash is used to buy new equipment, buildings, or short-term assets such as marketable securities. But when a company divests an asset, the transaction is considered cash-in for calculating cash from investing. Changes in cash from financing are cash-in when capital is raised and cash-out when dividends are paid. Thus, if a company issues a bond to the public, the company receives cash financing. However, when interest is paid to bondholders, the company is reducing its cash. And remember, although interest is a cash-out expense, it is reported as an operating activity—not a financing activity.

2. REVIEW OF LITERATURE

ARTICLE: 1

Title: The Review of Literature on the Role of Earnings, Cash Flows and Accruals in Predicting of Future Cash Flow

Author: Mwila Mulenga

Source: Birla institute of management technology

Abstract

Small businesses are vital for employment and job creation in South Africa. The implementation of sound cash management practices is essential to ensure the profitability and sustainability of any successful business. The purpose of this paper is to identify the cash management challenges faced by small businesses in a developing community. This research targeted small retail businesses in the Tongaat area in KwaZulu-Natal, South Africa. The

research design for this paper was descriptive, quantitative and cross-sectional. The data instrument was a questionnaire. These findings indicate a significant relationship between cash management knowledge and managing cash flow. The findings also indicate a correlation between profitability in the business and implementation of cash management practices as well as a correlation between the challenges of cash management practices and their ability to ensure profitability in their business. This paper recommends that businesses should implement cash management procedures to eliminate cash management difficulties. Forecasting is supposed to be one of the oldest management activities. In biblical times there were frequent allusions to clairvoyants and prophets. Nowadays it is becoming increasingly necessary for companies to make forecasts; those that do not give the prospect to their competitors a clear advantage. No forecasting is a main cause of most of today's business failures. In the past, goods could be sold on company reputation alone and forecasting was not too important. In today's more competitive times, sentiment does not apply, and firms that do not challenge their selves to make an accurate forecast on which to base their future production will find it increasingly difficult to survive (Lancaster G.A. & Lomas R.A., 1985).

Forecasting is important for many aspects of the modern business. Organisations make plans which become effective at some point in the future so they need information about prevailing circumstances (Waters, 2003). This information must be forecast; but unfortunately forecasting is a difficult situation and despite its importance, progress in many areas has been limited (Waters, 2003).

ARTICLE: 2

Title: Cash Flow Bullwhip—Literature Review and Research Perspectives

Source: RESEARCH REVIEW International Journal of Multidisciplinary

Author: Hicham Lamzaouek's

The bullwhip effect is a pervasive phenomenon in all supply chains causing excessive inventory, delivery delays, deterioration of customer service, and high costs. Some researchers have studied this phenomenon from a financial perspective by shedding light on the phenomenon of cash flow bullwhip (CFB). The objective of this article is to provide the state of the art in relation to research work on CFB. Our ambition is not to make an exhaustive list, but to synthesize the main contributions, to enable us to identify other interesting research perspectives. In this regard, certain lines of research remain insufficiently explored, such as the role that supply chain digitization could play in controlling CFB, the impact of CFB on the profitability of companies, or the impacts of the omnichannel commerce on CFB.

ARTICLE: 3

Title: A STUDY ON CASH FLOW ANALYSIS

Author: Dr. M Pavani

Source: Journal of Emerging Technologies and Innovative Research

Abstract

Printing of their funds, investments, and financial transactions of several time and money, or funds to evaluate results and performance, such as trustworthiness, at the end of the course, financial statements consider the location of the event, and occasionally short, non-cash transactions must be in order. Money flowing into the question requires a full class and money, with an emphasis on fundraising and management. Changes in the size and structure of equity and cash debt financing for representative economic activities, investing Activities include real-time assets and investments that are equal to cash and equity. Regulated entities, joint ventures, and partnerships between regions contribute to the movement of funds to overcome management and regulation. There are no activities or fundraising activities for the organization's revenues and actions. It may require the use of techniques. The law of corporate rights to payments and cash payments directly to the main classes will tell you. Enrolments and other fees, as well as failure to make payment or distribution are part of the unit's work.

RESEARCH GAP:

The project provides in depth discussion for the purpose of assisting the researchers to get familiarity with line of financial accounting research investigated capital market based accounting research and also as guidance for future researchers

OBJECTIVES:

- ❖ To find out the ability of the firm to meet its current obligations.
- ❖ To examine the Movement of Cash in Firm.
- ❖ To know overall operation efficiency & financial performance of the company.

- ❖ To compare the yearly performance.
- ❖ To know the who are the debtors and creditors of the company

3. RESEARCH METHODOLOGY

Scope Of The Study

The study is totally confined to analysis of profitability of Madhucon Sugar & Power Industry Pvt Ltd, Rajeswarapuram with profitability cash flow. As a tool of financial analysis the cash flow are of immense significance the importance of cash flow statement lies in fact that it presents facts on a comparative basis. Cash flow are used in credit analysis to judge ability. Firm's liquidity or debt paying ability, which is very useful to the creditors

Need For The Study:

The Financial Accounting Standard Board, U.S.A, has emphasized the need for cash flow statement as, "Financial reporting should provide information to help present and potential investors and creditors and other users in assessing the amounts, timing and uncertainty of prospective cash receipts from dividends or interest and proceeds from the sales, redemption or maturity of securities or loans. The prospects for those cash receipts are affected by an enterprise's ability to generate enough cash to meet the obligations when due and its other operating needs, to reinvest in operations and to pay cash dividends".

Methodologies are a systematic procedure of collecting information in order to analysis & verify a phenomenon. The collection is done through two principal sources viz.

1. Primary data.
2. Secondary data.

1. Primary Data:

It is the information collected directly without any reference. In this study it was mainly interviews with concernment officers & staffs either individually or collectively some of the information has been verified or supplemented conducting personal with observations.

The data Includes:

Interviews with MADHUCON SUGAR & POWER INDUSTRY PVT LTD employees.

Organizations chart has been drawn through observation.

2. Secondary Data:

The secondary data was collecting from already published source such as payments annual reports returns & internal records.

The data Includes:

- Collection of required data from the annual reports of MADHUCON SUGAR & POWER INDUSTRY PVT LTD. In house magazines. Publications & websites.
- Reference from text books & journals relating financial management.

PERIOD OF STUDY:

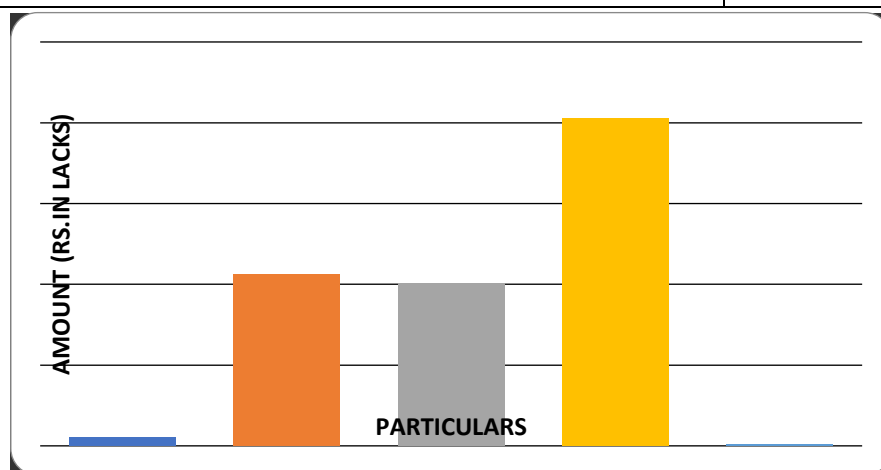
A period of consecutive years is from 2019 to 2023 has been considerable for the purpose of the study.

4. DATA ANALYSIS & INTERPRETATION

CASH FLOW STATEMENT OF MADHUCON SUGAR & POWER INDUSTRY PVT LTDFOR THE YEAR 2022-2023

PARTICULARS	AMOUNT (RS.IN LACKS)
1) Cash from operating activity: -	
Net profit before tax and extraordinary items adjust for	66,285
Add: -	
a) Depreciation	49,33,986
b) MISC expenses written off	1,22,300
Operating Profit Before Tax:	51,22,571
2) Change in Working Capital	
a) Increase in Inventories	16,60,16,824

b)	Increase in Receivables	40,97,718
c)	Increase in Loans & Advances	28,62,665
d)	Increase in Current Liabilities	3,66,25,827
		13,63,48,386
3)	Cash flow from investing activity	
a)	Purchase of Fixed Assets	9,96,92,617
b)	Increase in Misc. Expenditure	6,14,500
		13,03,04,147
4)	Cash flow from financing activity	
a)	Increase in Equity fund	27,14,888
b)	Increase in Un-secured loans	17,53,16,758
		20,24,28,646
	NET CASH FLOW OPERATING ACTIVITY	8,98,720



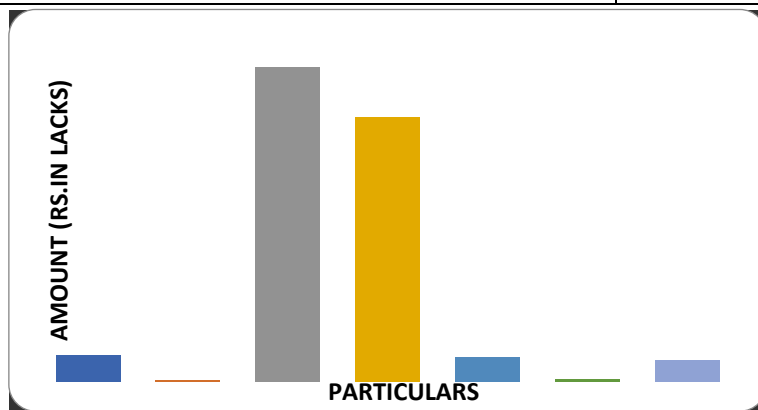
INTERPRETATION: -

During the year 2022-2023 cash flow analysis of MADHUCON SUGAR & POWER INDUSTRY PVT LTD, shows the cash from operating activity is 8, 98,720. Which is inflow of cash? It shows that the company has maintained adequate cash balance.

CASH FLOW STATEMENT OF MADHUCON SUGAR & POWER INDUSTRY PVT LTD FOR THE YEAR 2021-2022

PARTICULARS	AMOUNT (RS. IN LACKS)
1) Cash from operating activity: -	
Net profit before tax and extraordinary items adjust for	4,68,544
Add: -	
a) Depreciation	1,46,96,971
b) MISC expenses written off	1,22,300
Operating Profit Before Tax:	1,52,87,815
2) Change in Working Capital	
a) Decrease in Inventories	(4,45,60,840)
b) Increase in Receivables	49,64,013
c) Decrease in other Current Assets	(50,70,059)

d)	Decrease in Loan & Advances	(2,77,36,239)
e)	Increase in Current Liabilities	1,77,00,699
Net cash flow from operating activities		7,70,049
3)	Cash flow from investing activity: -	
a)	Increase in Fixed Assets	(18,30,96,602)
Net cash flow from operating activities		18,30,96,602
4)	Cash flow from financing activity: -	
a)	Increase / Decrease in Share Capital	8,00,00,000
b)	Increase/ Decrease in Bank Loan OCC	6,00,98,052
c)	Increase / Decrease in Unsecured Loans	1,42,75,708
Net cash flow from financing activities		15,43,73,760
NET INCREASE / DECREASE IN CASH & BANK EQUIVALENTS (1+2+3+4)		(1,26,64,978)
Opening Cash and Bank Balance		1,41,21,860
Closing Cash and Bank Balance		17,56,882
Increase (Decrease) in Cash and Bank Balance		1,26,64,978



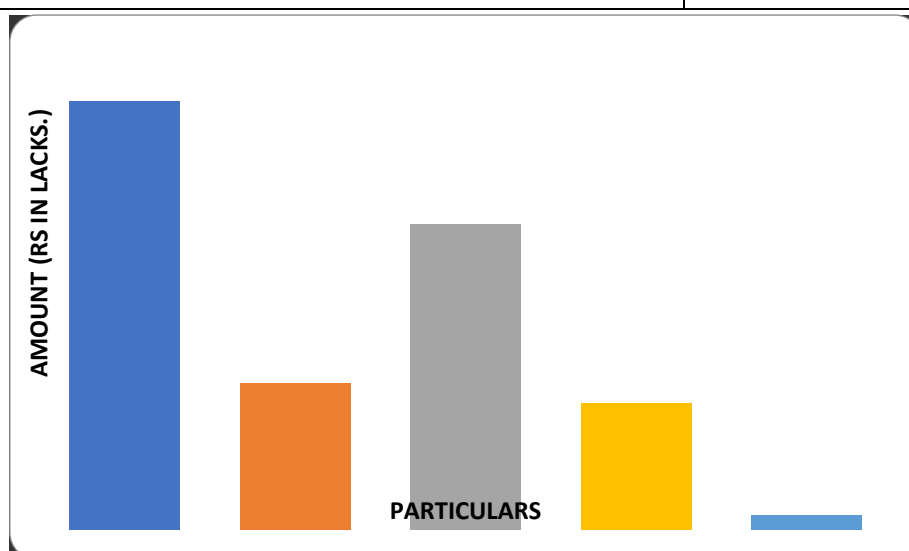
INTERPRETATION:

During the year 2021-2022 cash flow analysis of MADHUCON SUGAR & POWER INDUSTRY PVT LTD, shows the cash from operating negative balance of 1, 26, 64,978, which is inflow of cash. The statement shows that the company has not maintained adequate cash balance. It shows the company has maintained adequate cash balance during the year of 2021-20

CASH FLOW STATEMENT OF MADHUCON SUGAR & POWER INDUSTRY PVT LTDFOR THE YEAR 2020-2021

PARTICULARS	AMOUNT (RS IN LACKS.)
1) Cash from operating activity: -	
Net profit before tax and extraordinary items adjust for	2,40,76,532
Add: -	
a) Depreciation	1,55,07,981
b) MISC expenses written off	1,22,300
Operating Profit Before Tax:	3,97,06,816
2) Change in Working Capital	
a) Decrease in Inventories	29,65,177
b) Increase in Receivables	(64,47,481)

c)	Decrease in other Current Assets	(26,35,857)
d)	Decrease in Loan & Advances	(2,14,54,220)
e)	Increase in Current Liabilities	1,41,77,617
		1,35,91,236
3)	Cash flow from investing activity: -	
a)	Increase in Fixed Assets	(2,83,50,617)
4)	Cash flow from financing activity: -	
a)	Increase in Bank Loan A/c	(2,42,34,177)
b)	Increase in Un-secured loans	1,25,45,805
		(1,16,88,342)
	NET INCREASE IN CASH FLOW OPERATING ACTIVITY	16,25,912



INTERPRETATION: -

During the year 2020-2021 cash flow analysis of MADHUCON SUGAR & POWER INDUSTRY PVT LTD, shows the cash from operating negative balance of 16, 25,912, which is inflow of cash. The statement shows that the company does not maintained adequate cash balance. It shows the company has maintained adequate cash balance during the year of 2020-19.

5. CONCLUSIONS

1. It can be recommended to the company that the company has to maintain sample cash balances.
2. The financial information obtained was analyzed using the appropriate techniques and it was found that the both operating cash flow and short term debt coverage ratio is in decreasing trend.
3. A part from this the company has to create contingents funds for meeting any kind of situation as the company.
4. A company can use a cash flow statement to predict future cash flow, which helps with matters in budgeting. For investors, the cash flow reflects Madhucon Sugar financial health: basically, the more cash available for business operations, the better. However, this is not a hard and fast rule. Sometimes a negative cash flow results from a company's growth strategy in the form of expanding its operations.

By adjusting earnings, revenues, assets and liabilities, the investor can get a very clear picture of what some people consider the most important aspect of Madhucon Sugar

6. REFERENCES

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