

FIXED ASSETS MANAGEMENT WITH REFERENCE TO NTPC LTD., RAMA GUNDAM

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ABSTRACT

The selection of various Fixed Assets required creating the desired production facilities and the decision as regards determination of the level of fixed assets is primarily the task at his production / technical people. The decision relating to fixed assets is primarily the task at the production / technical people. The decision relating to fixed assets involve huge funds for a long period of time and are generally of irreversible nature affecting the long term profitability of a concern, an unsound invests decision may prove to be total to the very existence of the organization. Thus, management of fixed asset is of vital importance to any organization.

Keywords: Financial Statements, Proposed Tools.

1. INTRODUCTION

Fixed assets are those which are required and held permanently for a pretty long time in the business and are used for the purpose of earning profits. The successful continuance of the business depends upon the maintenance of such assets. They are not meant for resale in the ordinary course of business and the utility of these remains so long as they are in working order, so they are also known as capital assets. Land and buildings, plant and machinery, motor vans, furniture and fixture are some examples of these assets.

Financial transactions are recorded in the books keeping in view the going concern aspect of the business unit. It is assumed the business unit a reasonable expectation of continuing business at a profit for an indefinite period of time. It will continue to operate in the future. 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 values if there is no immediate expectation of selling them. Fixed resale, so they are shown at their book values (i.e., cost less depreciation provided) and not at their current realizable values.

The market value of a fixed asset may change with the passage of time, but for accounting purpose it continues to be shown in the books as its book value, i.e., the cost at which it was purchased minus depreciation proved up to date.

The cost concept of accounting, depreciation calculated on the basis of historical costs of old assets is usually lower than that of those calculated at current value or replacement value. This results in more profits on paper which, if distributed in full, will lead to reduction of capital. 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.

FIXED ASSETS MANAGEMENT CYCLE

The fixed assets management cycle is the cycle of activities from the acquisition of the asset to the final disposition of the assets at the end of their useful life. The cycle has 7 steps:

Acquisition: The cycle begins with the acquisition, purchase, gift or otherwise, of an asset and the determination that the asset is to be capitalized. To be capitalized the asset has to meet the agency's capitalization limit and have a useful life of one year or more.

Receiving: The asset is formally received and accepted by the agency. Receipt may be verified by entry into an automated purchasing system or by hard copy document. In the case of donated fixed assets, receipt can be verified by a letter to the donor.

Payment: Payment is made for the asset according to the terms of the purchase order or recognition of acceptance of a gift to the donor. The payment includes the acquisition cost, freight and all other costs to put the asset. Acquisition cost of donated fixed assets is determined by its fair market value.

Identification: the asset is identified as an asset, tagged or otherwise identified and entered into the fixed assets management inventory system. Assets are identified with a permanently attached identification tag, etching or by painting on the identification number.

Inventory: The longest step in the cycle. The asset is used over its useful life. Assets are inventoried and accounted for during this step until they are no longer needed. The agency's policies and procedures determine the inventory interval.

Excess: the asset is declared as excess to the user's needs. The asset may be transferred to another user where it will continue to be used, accounted for and inventoried. Assets may be declared as excess more than once until the asset is no longer needed.

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.

SEARCH GAP:

This study believes that if all these are put in place Fixed Asset Management would yield its maximum economic benefit to any developing country.

OBJECTIVES:

- The study is conducted to know the amount of capital expenditure made by the company during study period 2018-19 to 2022-23.
- To analyze the fixed assets performance of NATIONAL THERMAL POWER CORPORATION (NTPC).
- To analyze the fixed assets turnover of NTPC Limited.
- To study the liquidity position of fixed assets for financing the long term owners funds.
- To understand the fixed assets to liabilities position.

3. RESEARCH METHODOLOGY

Need For the Study

As fixed assets play an important role in company's objectives. These fixed are not convertible or not liquid able over a period of time. The owner's funds and long term liabilities are invested in fixed assets. Since, fixed assets play dominant role in the business and the firm has utilization of fixed assets. So, ratio contributes in analyzing and evaluating the performance of the business. If firms fixed assets are idle and not utilized properly it affects the long-term sustainability of the firm, which may affect liquidity and solvency and profitability positions of the company. The idle of fixed assets leads to a tremendous loss in financial cost and intangible cost associate of it. So, this will lead to evaluation of fixed assets performance. Comparing with similar company and comparison with industry standards

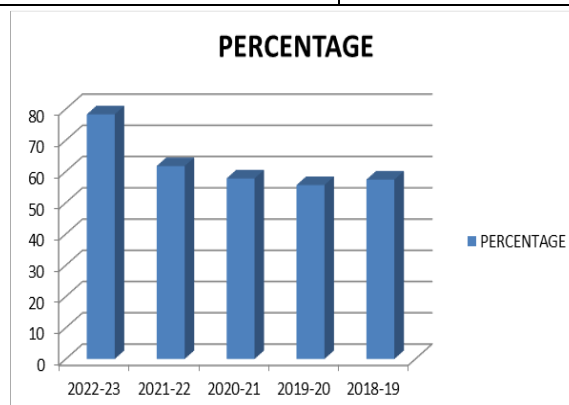
Scope Of the Study:

The project is covered on fixed assets of NTPC Limited. Drawn from annual reports of the company. The subject matter is limited to fixed assets, its analysis and its performance but not to any other areas of accounting corporate, marketing and financial matters..

4. DATA ANALYSIS & INTERPRETATION

Fixed Assets To Net Worth

Year	Fixed assets (in crores)	Net worth (in crores)	Percentage
2022-23	62936.10	80387.51	78.29
2021-22	45258.36	73291.17	61.75
2020-21	39235.96	67892.25	57.79
2019-20	34761.29	62437.42	55.67
2018-19	32937.73	57370.07	57.41

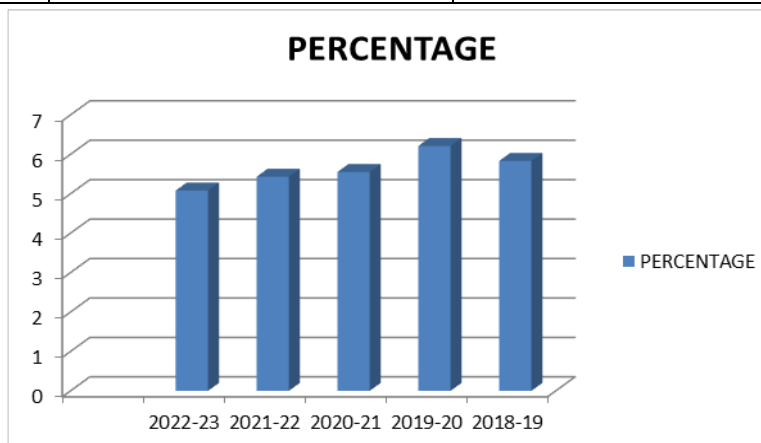


INTERPRETATION:

- As the ratio is less than 100% it implies that owner funds are more than the fixed assets and the shareholders and vice-versa provide a part of working capital.
- The ratio was fluctuating trend percentage in review period.
- From the above table it is observed that the ratio was recorded at 57.41 in the 2018-19 and 55.67 in 2019-20 from 2021-22 the % is gradually increasing.

FIXED ASSETS AS A PERCENTAGE CURRENT LIABILITIES

Year	FIXED ASSETS (IN CRORES)	CURRENT LIABILITIES	
2022-23	(IN CRORES)	PERCENTAGE	
2021-22	103245.70	20287.70	5.08
2020-21	81830.26	15065.87	5.43
2019-20	72755.15	13104.42	5.55
2018-19	66850.07	10758.16	6.21



INTERPRETATION:

The ratio was fluctuating trend percentage in review period.

From the above table it is observed that the ratio was recorded at 5.83 in the 2018-19, 6.21 in the year 2019-20 and is gradually changing to 5.08 in 2022-23.

5. CONCLUSION

- ❖ The progress of the NTPC shows that there is an increase in Fixed Assets considerably over the year that is from 81830.26cr to 103245.70cr.
- ❖ Company is maintaining good fixed assets policy.
- ❖ Under the company's Gross Capital Employed there is an increasing trend in both fixed assets and current assets year to year.
- ❖ Fixed Assets Turnover Ratio of NTPC shows that there is an effective and efficient utilization of fixed assets.
- ❖ Company is charging Depreciation as per CERC Regulations.
- ❖ Company's Gross Capital Employed is having an increasing trend year to year.
- ❖ The company is maintaining good profits and to maintain profits it has to take more necessary steps by improving the generation and sale of the energy. Average PAT is 9515.04cr

6. REFERENCES

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