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Cash Flow Statement Analysis

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ABSTRACT:

It is a summarize tin of all report in one or two page so as to provide an overview of the company. It is also called Abstract. As a partial fulfillment of the requirement for the degree of Master of Business Administration. I completed a project report on "cash flow statement analysis" of Setco spindle India pvt.ltd. A cash flow statement provides information about the change in cash business by classifying cash flows into operating, investing, financing activities. It is a key report to be prepared for which financial statement is presented by an enterprise. Cash flow statement is important because it inform the reader of the business cash position. Cash flow report helps them to anticipate the future deficits in cash and hence help them to make the financing decision beforehand.

Key Words: Financial management , Cash Flow Statement, Operating Activities

INTRODUCTION:

Cash plays a very vital role throughout the business enterprise. Cash flow statement means a depict changes in cash and cash equivalent during the period and as well as changes in financial position of an organization due to 'cash inflow' and 'cash outflow' of cash. Its inflow and outflow of cash and cash equivalent from various activities during particular period. Such

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information is very useful for users of financial statement to understand ability of enterprise to generate cash and cash equivalent . Cash flow statement means a statement showing changes in cash and cash equivalent during particular period. It is inflow and outflow of cash and cash equivalent from various activities during particular period.

Cash Inflow and Outflow are categorized under three activities:

1] Operating activities: These activities are the principle revenue from producing activities.

2] Investing activities: It is related to acquisition or disposal of long term assets and investment.

3] Financing activities: These are the activities that result on change in the size and composition of owner's capital and borrowing of the enterprise.

REVIEW OF LITERATURE:

1.Ajay Paliwal, and Rana,(2015) "according to him, the term cash flow statement is an importance tool to analyze the financial performance of a firm and the cash flow change can be identified only by comparing the financial position of a firm for two years.

2. Jeffrey hales and steven orput, (2013) : According to them they analyzed that through many financial statement user have given more importance to direct method, some of the financial statement user have given importance to indirect method of cash flow statement.

PURPOSE OF THE STUDY

- To study cash flow analysis of the Company.
- To study different activities of cash flow.
- To understand information about cash inflow and outflow from all activities.

RESEARCH METHODOLOGY:

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Research methodology is the specific procedures or techniques used to identify select, process and analyze information about a topic. Research means is search for knowledge. Research includes the survey, data collection. And a methodology is ordinary instructive method for solving problems, tasks. Methodology refers to the way in which information is found or the way something is done.

Descriptive Research:

The term descriptive research is used to describe characteristic of a population or situation being studies Cash analysis is descriptive type topic; detail study of all transaction of cash is required. So therefore Descriptive Studies have been selected by me.

SECONDARY DATA

Secondary data mean a data is already available or already published. The Secondary data for cash flow statement analysis as following:

1. Using last 2 year balance sheet of the company.

2. Secondary data is collected through annual report.

3. Website- www.mca.gov.in

DATA ANALYSIS:

	PARTICULAR	RS	RS
1	**CASH FLOW FROM OPERATING ACTIVITIES**		
	Net profit as per p & L A/C	13359316.91	
Add :	Provision for tax	1421000	
	Net profit before Tax	27569316.91	

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Add :	Depreciation	3788792.37	
(A)	Operating profit before working capital change	31358109.28	
Add :	decrease in current assets Or increase in current liabilities		
(B)	Increase in current liability	12233103.85	
Less :	Increase in current assets Or decrease in current liabilities		
(C)	Increase in current assets	13795584.88	
	CASH FROM OPERATING ACTIVITIES (A+B-C)	**29795628.17**	**29795628.17**
Add :	Taxes paid	-5910000	
	NET CASH FROM OPERATING ACTIVITIES	**23885628.17**	**23885628.17**
2	**CASH FLOW FROM INVESTING ACTIVITIES**		
Less:	Purchases of fixed assets	-6767612.25	
Less:	Purchases of investment	-2949645	
	NET CASH FROM INVESTING ACTIVITIES	**-9717257.25**	**-9717257.25**
3	**CASH FLOW FROM FINANCING**		

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	ACTIVITIES		
Add:	Issues of share	NIL	
Add:	Proceeds from raising secured loan	NIL	
	NET CASH FLOW FROM FINANCING ACTIVITIES	**NIL**	**NIL**
4	**NET INCREASE IN CASH AND CASH EQUIVALENT (1+2+3)**	**14168370.92**	**14168370.92**

Interpretation:

From the above it is observed Net Cash Inflow from Operating Activities are Rs. 2,38,85,628.17 , Cash Outflow from Investing Activities is -9717257.25 ,and from Financing Activities there are No Cash Inflow or Cash Outflow .The above statement is shows financial strength of the company, which is useful to investor as well as stockholder and shareholder.

GRAPH:

Chart No: 1 Operating activity.

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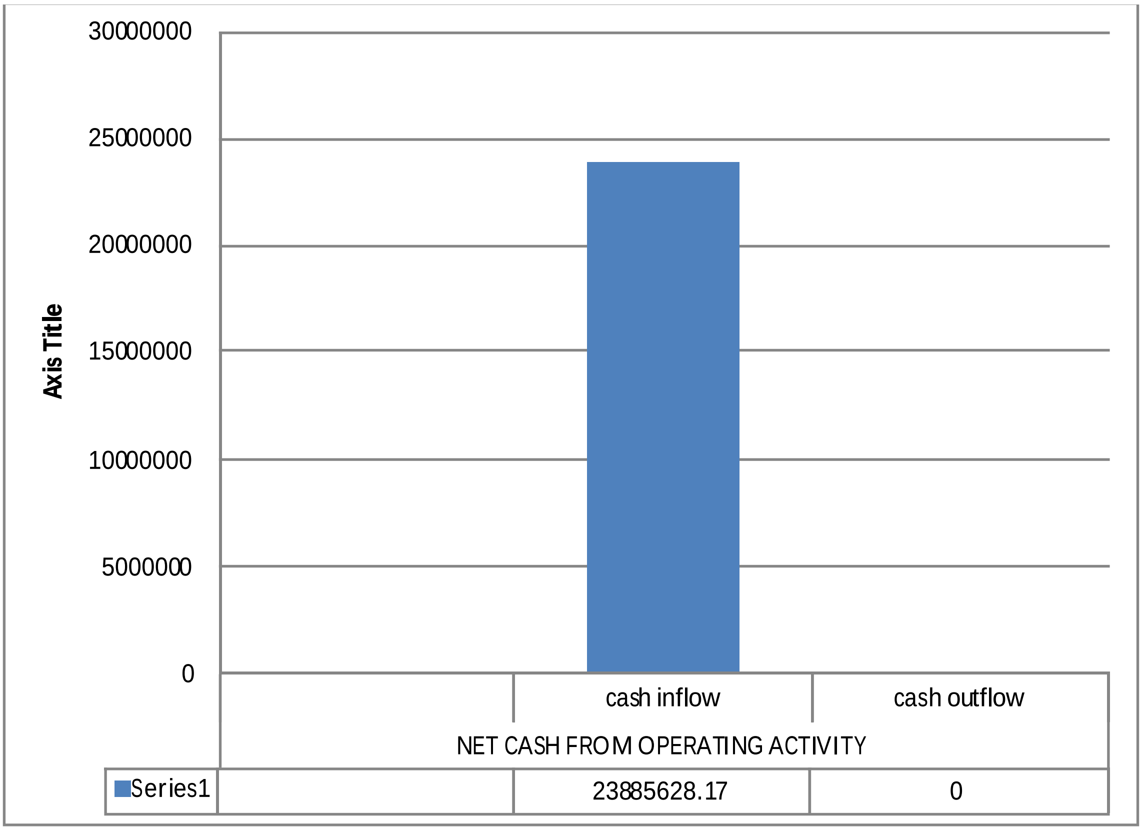

Interpretation:

The above data is calculated by cash flow method. In this chart Inflow of an operating activity is Rs. 23885628.17. There is No Cash Outflow in this activity. So therefore company should be take necessary corrective action with respect to purchase and payment activities.

<u>Chart No: 2</u> Investing activity.

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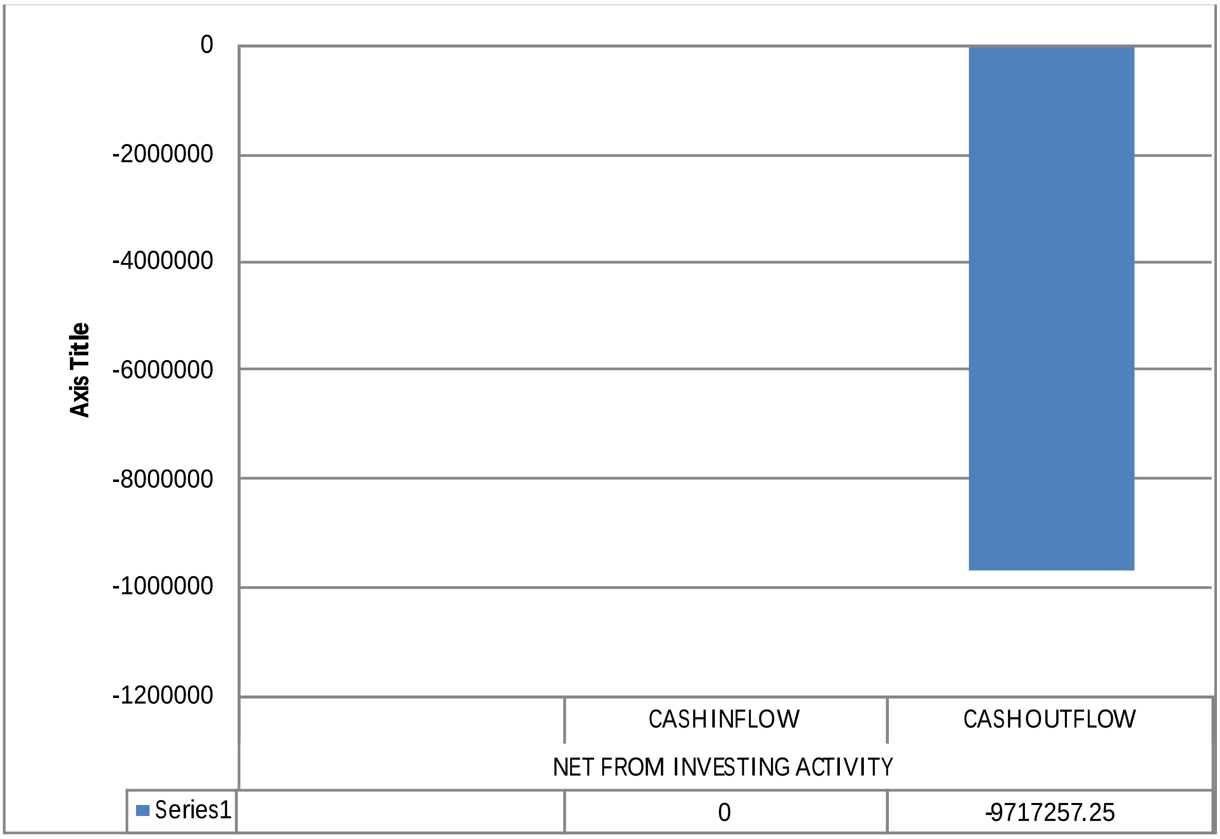

Interpretation:

The above data is calculated by cash flow method. In this chart Cash Outflow of Investing activities are Rs. 9717257.25. there is No Cash Inflow in this activity. The negative balance of net cash investing activities that means a cash outflow. So therefore company should be take decision to sales activities or Inereset received activities.

<u>Chart No: 3</u> Financing activity.

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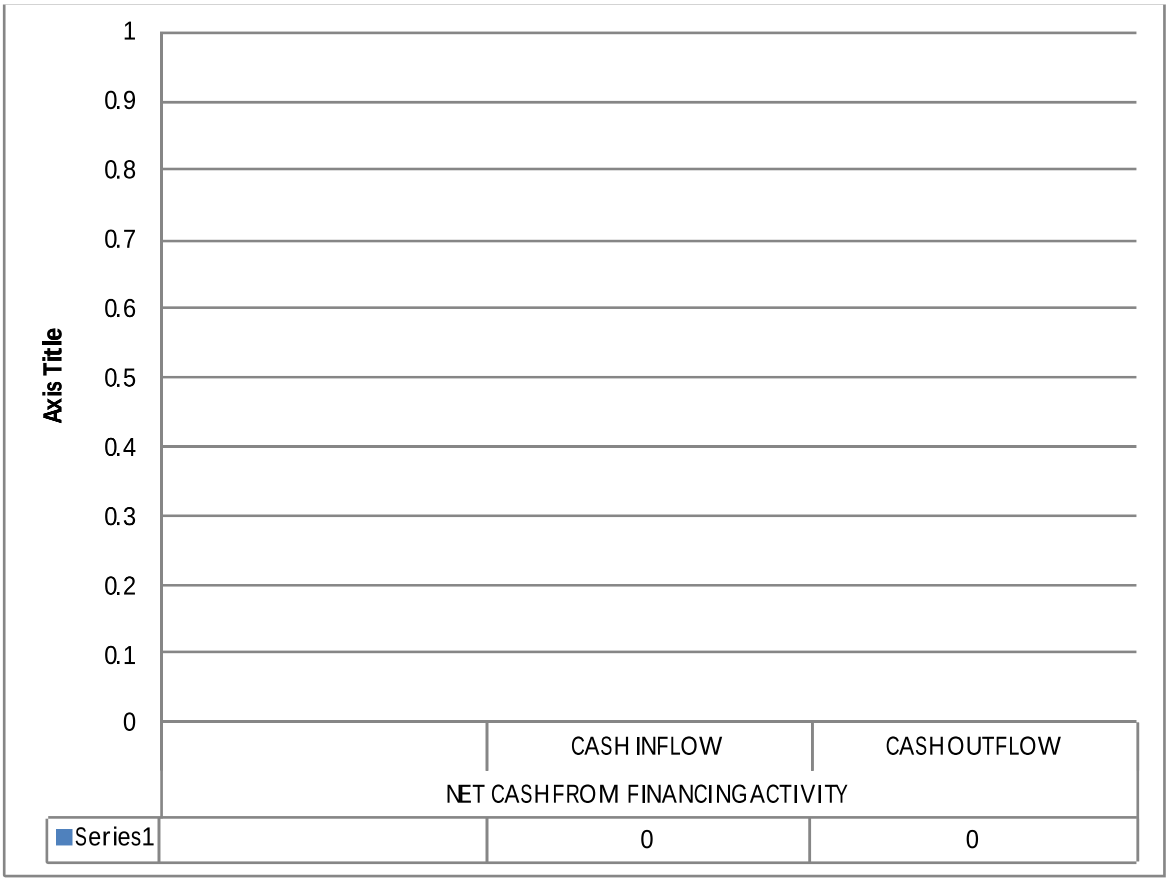

Interpretation:

In this chart, there are No cash outflow or cash inflow. In this financing activities under there are No any activities is done in relate to cash Inflow or Outflow. So therefore company should be take necessary correction with respect to financial activity i.e. issuing share, bond, debenture, and Interest paid activities.

FINDING:

- For the Operating Activities from that Net Income and Cash flow adding Non-cash expenses and produce by changes in working capital.

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- Increase in current assets and decrease in current liabilities consider as use of cash that push down cash flow the operating activities.

- In case of Investing Activities purchase of fixed assets investment declines the cash flow from the business with affects the cash flow activities involve in assets of the company.

- As per as Financial Activities are concern the company has not issued in any share and not raise in secured loan , so that the cash flow generated from financial activities show Nil result in current year.

SUGGESTION:

- It is suggested that the company should declining in cash from operation and focus on maximizing net income and optimizing efficiency.

- In Investing activities the company should sale some intangibles property, assets etc. and focus on maximize income in business.

- As per Financial activities are Concern Company has issued in any share or raise in secured loan so therefore the any one cash flow generated in financial activity.

CONCLUSION:

- The summary of cash flow gives the detail information about Operating, generating cash, and same investing in effective growth of the business.

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- If you want understand company's financial health to look management of cash as well as Cash flow statement analysis of any organization. Cash flow statement analysis shows cash outflow and inflow.
- Cash flow statement it was very important to any organization and company. Company has lot of challenges to maintaining cash output and inputs in the business. Company has to improve in all activity for development of organization and company cash flow is one of them.
- Company should be maintaining cash outflow and inflow in all activities of the company. So it's better for companies health.

BIBLIOGRAPHY & REFERENCES:

For the information I have referred to the following books and contact in this project and I am including all this details from the under mentioned books as well as websites:

- Balance sheet of the company (2017-2018 & 2018-2019).
- Advanced account book (M.C.Shukla).
- http:/www.seminarproject.com/form-mba-project-ideas.
- Book-keeping and accountancy.