



## A Study on funds flow statement analysis on Amruth agro farm

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### ABSTRACT:

A funds flow statement is a financial tool that helps to analyze and understand the movements of funds flow in the organization. It gives a clear view on funds which means how the funds are generated and utilized in the organization over specific period of time. The funds flow analysis helps in decision making and financial planning, this analysis help to know the trends in financing activities such as issue of debt or investing activities. The study states that how the working capital are managing and ensuring the company's flexibility and long term sustainability.

**Key words:** statement of changes in working capital, statement of sources and application of funds, ratios

### INTRODUCTION

#### FUNDS FLOW STATEMENT:

A funds flow statement is a financial report that shows the movements of inflow and outflow of funds within the organization over a specific period of time. It highlights the sources [profits, loans, sale of assets] and application of funds [paying interest and purchase of assets, dividend payments etc.]

The funds flow statement helps businesses to analyze the financial health, liquidity position and change in working capital. Unlike cash flow which only examines on cash transactions for short period ,while funds flow focus on long period and examines broader changes including non-cash items.

#### DEFINITION:



A FUNDS FLOW STATEMENT is a financial report that states the changes in financial position of company by showing the sources and application of funds between two accounting periods. The funds flow statement is not as same as the income statement. The income statement shows the items of the income and expenditure of a particular period where as funds flow is a operating statement as it summarizes the financial activity for a period of time.

### **OBJECTIVES OF FUNDS FLOW STATEMENT:**

- 1) To identify the sources and uses of funds.
- 2) To understand the changes in working capital.
- 3) To support investors in decision making.
- 4) To know the allocation of resources.

### **ADVANTAGES OF FUNDS FLOW STATEMENT:**

- 1) Helps in working capital management.
- 2) Analyzes the financial position.
- 3) Helps in making financial decisions
- 4) Know the allocation of funds.
- 5) Helps to know the sources and uses of funds in organization

### **LIMATIONS OF FUNDS FLOW STATEMENT:**

- 1) Avoid cash transactions.
- 2) Does not show immediate liquidity.
- 3) Historical data is needed.

### **REVIEW OF LITERATURE**

A literature review is a piece of academic writing demonstrating knowledge and understanding of the academic literature on a specific topic placed in context. Here the previous researches related with the present study:

Several scholars have highlighted the importance of funds flow statement



### **Penman (2001)**

Argued that funds flow statements play a crucial role in financial forecasting and long-term sustainability

### **Richardson (2006)**

Examined free cash flow over-investment and concluded that companies with poor funds flow management often engage in non-profitable investments, leading to financial instability.

### **Glautier, M.W.E., & Underdown, B. (2011)**

In Accounting Theory and Practice, they acknowledged that funds flow statements provide historical financial insights but are now largely replaced by cash flow statements for practical purposes.

### **Moyer et al. (2012)**

Pointed out that funds flow statements highlight working capital changes, making them useful for assessing business growth and sustainability

**Gitman & Zutter (2015)** Noted that while cash flow statements track immediate liquidity, funds flow statements focus on long-term financial planning

### **Khan, M.Y., & Jain, P.K. (2018)**

Text, Problems and Cases suggested that while funds flow statements are less popular today, they remain useful for evaluating long-term financing strategies.

## **NEED FOR THE STUDY:**

The need for the study is to examine the movements of funds in the organization and ensuring how effectively the funds are allocating in the company. To know the managing of working capital position and understanding how effectively the company managing its financial position

## **OBJECTIVES OF THE STUDY:**

To know the sources and applications of funds of the company

To know the changes in working capital positions

To measure the performance in utilization of funds



To know the financial position of the company

## RESEARCH METHODOLOGY:

**Data Source** - Secondary data

### Primary Data:

The primary data is a data which is achieved for the first time in nature and primary data can be directly collected from the person.

### Secondary Data:

The secondary data which is already existed, the secondary can be easily available at any time. The secondary data can be stored in different formats such as records, journals, files, and annual reports of the company etc.

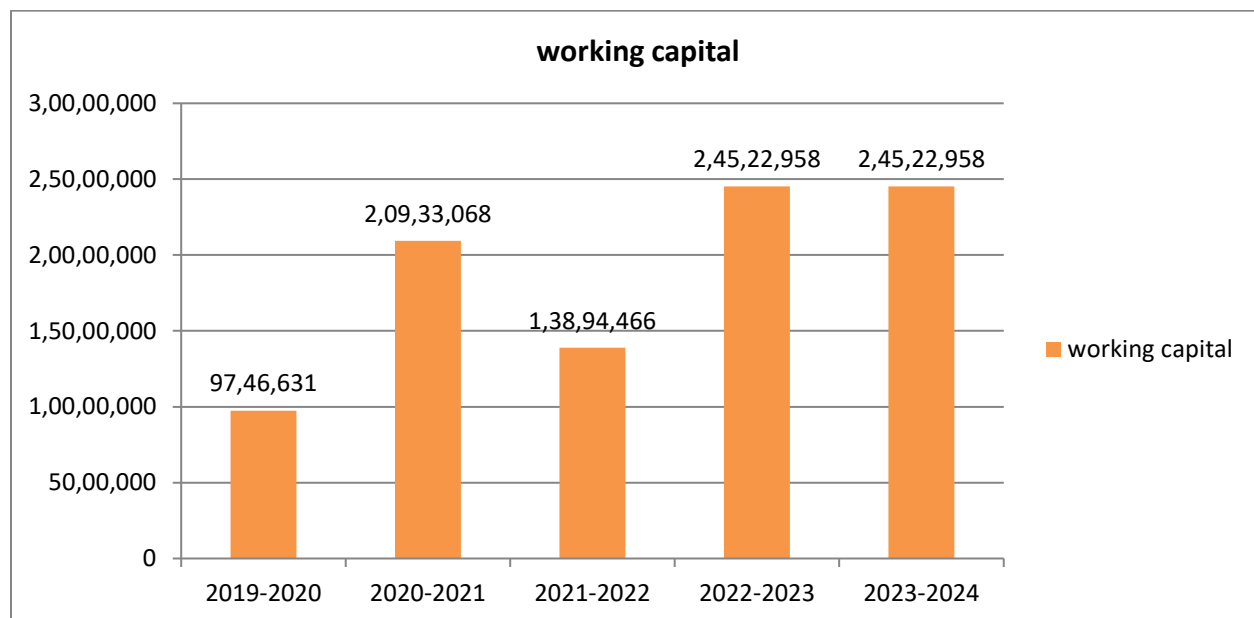
**Research tools** - statement of changes in working capital, statement of sources and applications of funds, ratios.

**Period of study** - The period of study is 5 financial years

## DATA ANALYSIS

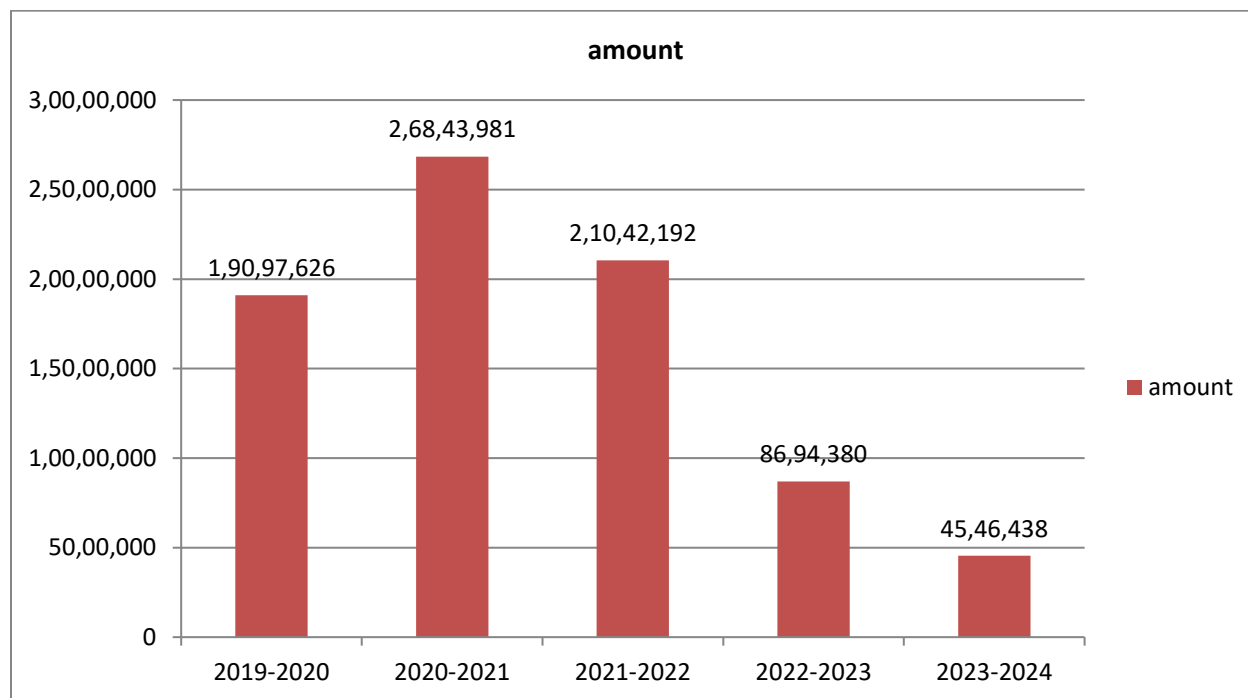
### STATEMENT OF CHANGING IN WORKING CAPITAL:

years	working capital	increase/ decrease
2019-2020	97,46,631	decrease
2020-2021	2,09,33,068	increase
2021-2022	1,38,94,466	decrease
2022-2023	2,45,22,958	increase
2023-2024	2,45,22,958	increase



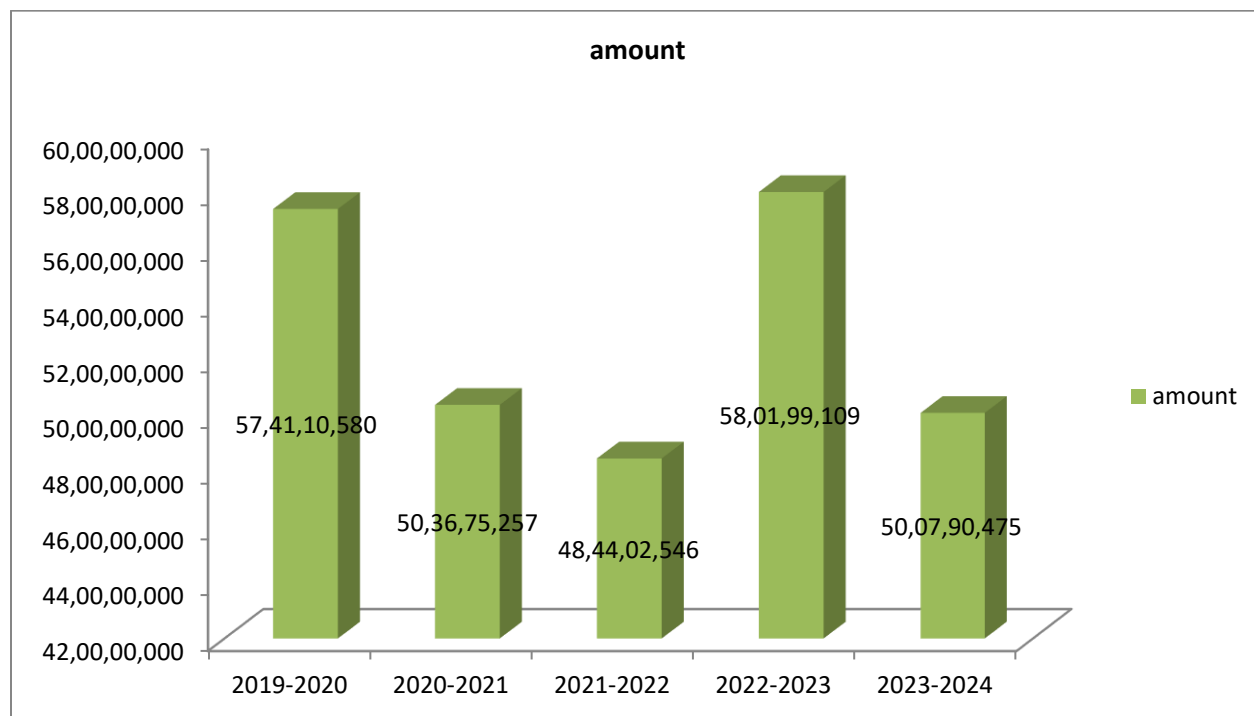
**PROFIT AND LOSS APPROPRIATION ACCOUNT:**

years	amount
2019-2020	1,90,97,626
2020-2021	2,68,43,981
2021-2022	2,10,42,192
2022-2023	86,94,380
2023-2024	45,46,438



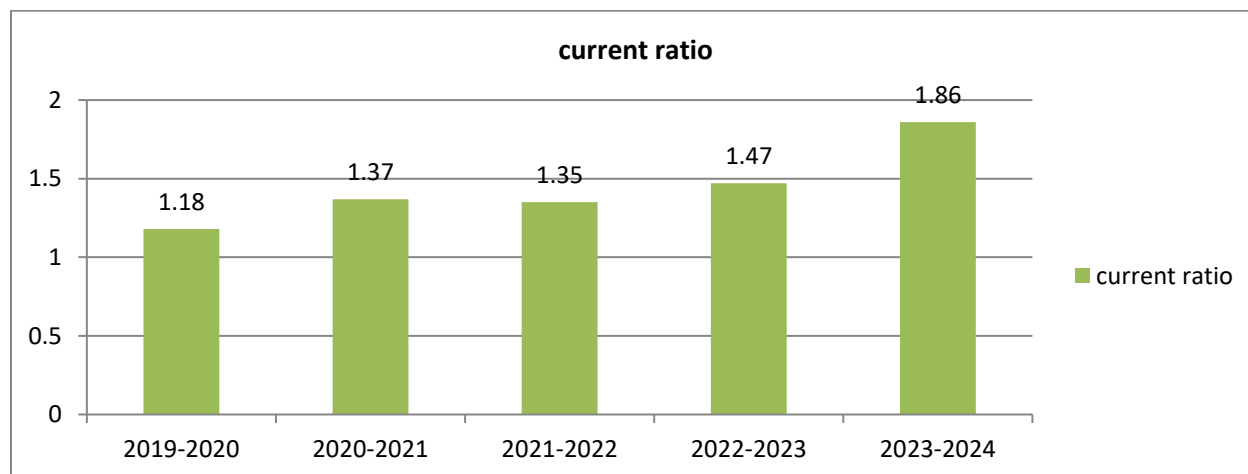
#### SOURCES AND APPLICATION OF FUNDS:

years	amount
2019-2020	57,41,10,580
2020-2021	50,36,75,257
2021-2022	48,44,02,546
2022-2023	58,01,99,109
2023-2024	50,07,90,475



#### CURRENT RATIO:

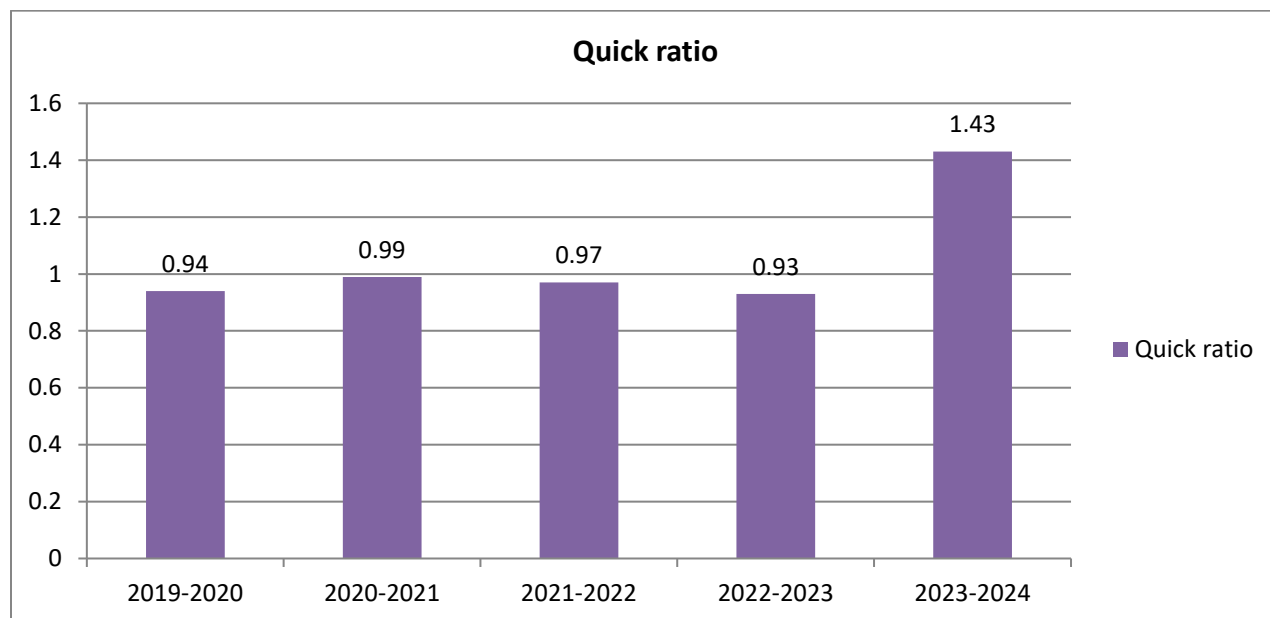
years	Current assets	current liabilities	current ratio
2019-2020	6,18,16,532	5,20,69,901	1.18
2020-2021	7,67,98,499	5,58,65,431	1.37
2021-2022	4,85,47,531	,357,50,478	1.35
2022-2023	7,64,14,676	5,18,91,718	1.47
2023-2024	4,98,58,741	2,67,91,094	1.86



#### QUICK RATIO:

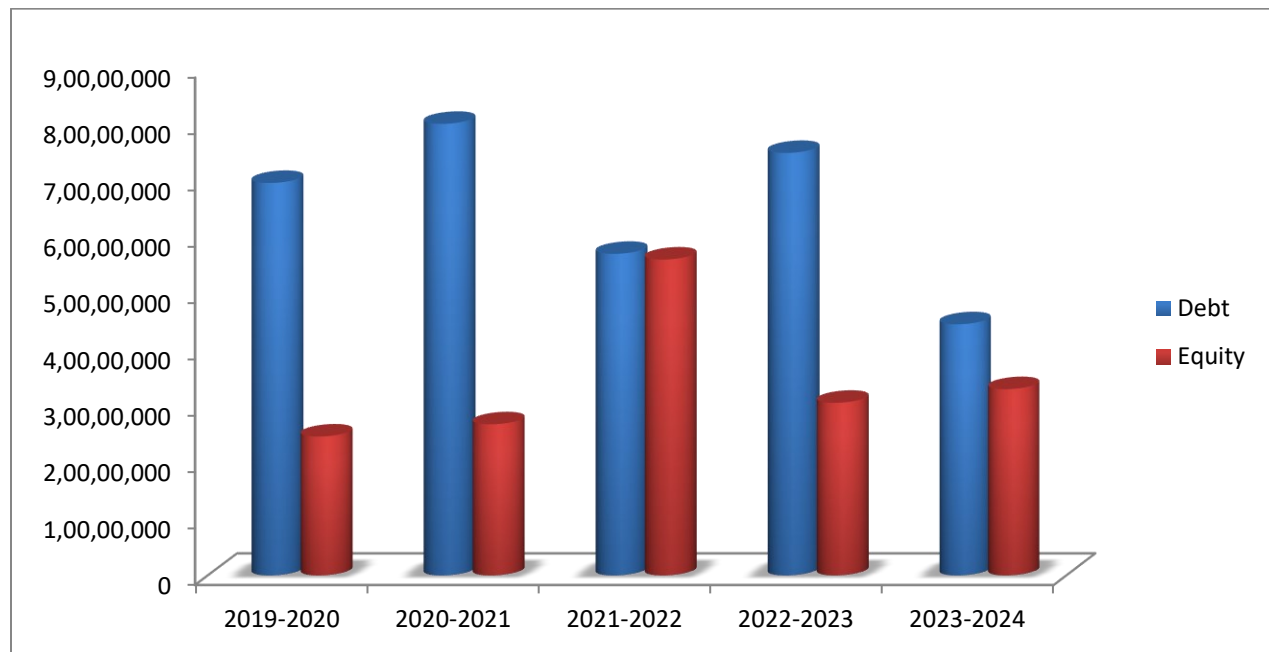
years	Quick assets	current liabilities	Quick ratio
2019-2020	4,90,49,572	5,20,69,901	0.94
2020-2021	5,57,56,307	5,58,65,431	0.99
2021-2022	3,47,30,331	,357,50,478	0.97
2022-2023	4,87,24,746	5,18,91,718	0.93
2023-2024	3,85,73,111	2,67,91,094	1.43





**DEBT-TO-EQUITY RATIO:**

years	Debt	Equity	Ratio
2019-2020	6,96,43,714	2,46,99,358	2.81
2020-2021	8,01,10,041	2,68,73,442	2.98
2021-2022	5,70,79,910	5,60,71,484	1.01
2022-2023	7,49,57,231	3,06,91,360	2.44
2023-2024	4,45,99,978	3,31,05,441	1.34



## CONCLUSION:

The observation states that working capital is fluctuated in the company but from the past two years the change in working capital is same. The graph clearly shown in sources and application of funds had fallen down.

Through the company performance is satisfactory; the management needs to focus on the proper financial planning and allocation of resources.

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