A Study on Fund Flow Management with Reference to Integrated Support and Allied Services Pvt. Ltd

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Abstract

Background/Objectives: In <30 words. Methods/Statistical Analysis: It should be <70 words. Include the method adapted to study the objectives/sampling details or simulation or statistical analysis of data; technique employed; mention unique/important points of modification of methodology in the current study. Mention about test samples the control employed or approach used for comparing the test sample. Findings: It should be <170 words. Mention your findings in the form of statements along with the conclusive data of statistical importance; Mention how your findings are unique and novel; how your findings are in consensus with the existing values/reports or how different are they from the already reported findings. Highlight how your results are helpful in adding more value to the existing reports. Conclusion/Improvements: In <30 words.

Keywords:

1. Introduction

1.1 Definition of ‘Fund Flow’
The net of all cash inflows and outflows in and out of various financial assets. Fund flow is usually measured on a monthly or quarterly basis. The performance of an asset or fund is not taken into account, only share redemptions (outflows) and share purchases (inflows). Net inflows create excess cash for managers to invest, which theoretically creates demand for securities such as stocks and bonds. Investors and market analysts watch fund flows to gauge investor sentiment within specific asset classes, sectors, or for the market as a whole. For instance, if net fund flows for bonds funds during a given month is negative by a large amount, this would signal broad-based pessimism over the fixed-income markets.

2. Objective of the Study

2.1 Primary Objectives
To study the fund flow analysis of Integrated Support and Allied Services Pvt. Ltd. (INSAS).

2.2 Secondary Objectives
- To determine the operational efficiency of the company using ratios.
- To know the changes in financial statement for the past 5 years by using working capital statement.
- To forecast the future changes using the trend analysis.
- To conduct fund flow statement for 2009-2013.

3. Scope of Study

- The study covers all the components of current assets and current liabilities for the year 2009-2013.
- The study also deals with the various ratios imparted in the organization.
- The working capital is one of the dynamic and vital aspects of the business operation.

4. Limitations of the Study

- The study mainly depends on the secondary data taken from annual report and internal records of the company.
The figures taken from the financial statement for analysis were historical in nature.

The study is confined to a short period of 4 months. This would not picture the exact position of company.

5. Research Methodology

5.1 Research Design
Analytical research technique was adopted in this project. The researcher used analytical type of research to analyze the past data based on which certain future decision can be made.

6. Source of Data

- Secondary Data
- Annual Report

7. Tools used for the Study

- Ratio analysis
- Cash flow Statement

7.1 Ratio Analysis
The following ratios are used to calculate the liquidity.

- Current ratio = current assets/Current liabilities.
- Cash position ratio = cash & company/Current liabilities.

7.2 Working Capital
- Working capital = current assets – current liabilities.
- Working capital refers to the cash a business requires for day-to-day operations. It is the amount of funds necessary to cover the cost of operating the enterprise. It is also known as revolving or circulating capital or short term capital.

8. Data Analysis and Interpretation

Inference
The Net Increase in Working capital for the year 2011-2012 is 126583.58.

The fund from operation for the year 2011-2012 is 9594259.74.

| Particulars | 2011 Amount Rs. | 2012 Amount Rs. | Increase Amount Rs. | Decrease Amount Rs. |
|-------------|----------------|----------------|-------------------|-------------------|
| Cash and Balances | 61290.87 | 94395.50 | 33104.6 | |
| Balance with Company’s | 34892.98 | 28478.65 | 6414.33 | |
| Advances | 631914.15 | 756719.45 | 124805 | |
| Total Current Assets | 728098 | 879593.6 | | |

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| Account | Balance as on 2011 | Balance as on 2012 | Change | Type | Result |
|---------|--------------------|--------------------|--------|------|--------|
| Fixed Asset | 9957229.89 | 344142.60 | (9613087) | Decrease | Asset Outflow |
| Share Capital | 634.88 | 635.00 | 0.12 | Increase | Liability Inflow |
| Reserves | 65314.32 | 64351.04 | (963.28) | Decrease | Liability Outflow |
| Debt | 907127.83 | 1053501.77 | 146374 | Increase | Liability Inflow |
Table 3. Calculation of fund flow statement

| Sources/Inflow of Funds | RS      | Application/Outflow of Funds | Rs      |
|------------------------|---------|------------------------------|---------|
| Debt                   | 146374  | Fixed Assets                 | 9613087 |
| Share Capital          | 0.12    | Reserves                     | 963.28  |
| Funds from Operation   | 9594259.74 | Increase in WC               | 126583.58 |
|                        |         |                              | 9740633.06 |
|                        |         |                              | 9740633.06 |

**Inference**

The Net Increase in Working capital for the year 2012-2013 is 109481.34.

Table 4. Schedule of changes in working capital for the year ended 2012-2013

| Particulars | 2011 Amount Rs. | 2012 Amount Rs. | Increase Amount Rs. | Decrease Amount Rs. |
|-------------|-----------------|-----------------|--------------------|--------------------|
| Current Assets: |                 |                 |                    |                    |
| Cash and Balances | 94395.50        | 54075.94        | 40319.56           |                    |
| Balance with Company’s | 28478.65        | 43087.23        | 14608.60           |                    |
| Advances     | 756719.45       | 867578.89       | 110859             |                    |
| Total Current Assets | 879593.6        | 964742.06       |                    |                    |
| Less: Current Liabilities |           |                 |                    |                    |
| Other Liabilities and Provisions | 105248.39     | 80915.09        | 24333.30           |                    |
| Total Current Liabilities | 105248.39     | 80915.09        |                    |                    |
| Net Working Capital | 774345.21      | 109481.34       |                    |                    |
| Total     | 149800.9        | 40319.56        |                    |                    |

Net Change in WC 109481.34

Table 5. Statement of changes in non-current accounts

| Account          | Balance as on | Change | Type   | Result |
|------------------|---------------|--------|--------|--------|
|                  | 2011          | 2012   | Amount | Direction |
| Fixed Asset      | 344142.60     | 370777.18 | 26634.58 | Increase | Asset | Inflow |
| Share Capital    | 635.00        | 671.04   | 36.04  | Increase | Liability | Inflow |
| Reserves         | 643514.04     | 83,280.16 | 18929.12 | Increase | Liability | Inflow |
| Debt             | 1053501.77    | 1,170,652.93 | 117151.16 | Increase | Liability | Inflow |

Table 6. Calculation of fund flow statement

| Sources/Inflow of Funds | RS      | Application/Outflow of Funds | Rs      |
|------------------------|---------|------------------------------|---------|
| Fixed Asset            | 26634.58 | Increase in WC               | 109481.34 |
| Share Capital          | 36.04   | Funds flow Operation         | 53277.56  |
| Reserves               | 18929.12|                              |         |
| Debt                   | 117151.16|                              |         |
|                        |         |                              | 162758.90 |
|                        |         |                              | 162758.90 |

9. Ratio Analysis

9.1 Current Ratio

Significance

Table 7. Current ratio

| Year | Current Asset | Current Liability | Current Ratio |
|------|---------------|-------------------|---------------|
| 2009 | 484234.54     | 83362.30          | 5.81          |
| 2010 | 646907.00     | 110697.57         | 5.84          |
| 2011 | 728098.00     | 80336.70          | 9.06          |
| 2012 | 879593.60     | 105248.39         | 8.36          |
| 2013 | 964742.06     | 80915.09          | 11.92         |

It shows that current ratio was high in the year 2013 with 11.92 and low in the year 2009 with 5.81. The current year (2013) current ratio is found to be the highest (11.92) due to the decrease in the liabilities.

Table 8. Cash position ratio

| Year | Cash-company | Current liabilities | Ratio (Times) |
|------|--------------|---------------------|---------------|
| 2009 | 67,466.34    | 83362.30            | 0.81          |
| 2010 | 104,403.80   | 110697.57           | 0.94          |
| 2011 | 96,183.85    | 80336.70            | 1.20          |
| 2012 | 122,874.15   | 105248.39           | 1.17          |
| 2013 | 97,163.17    | 80915.09            | 1.20          |

Source: Secondary data
Significance
From the Table, it is inferred that the cash position ratio is high in the years 2011 and 2013 with 1.20 and low in the year 2009 with 0.81. The current year (2013) cash position ratio has increased to 1.20 when compared to the previous year 2012 with 1.17.

Dividend Payout Ratio = Total Dividend/Total Income

Table 9. Dividend Payout Ratio:

| Year | Cash-company | Current liabilities | Ratio (Times) |
|------|--------------|---------------------|---------------|
| 2009 | 1,357.66     | 6,729.46            | 0.20          |
| 2010 | 1,841.15     | 9,121.57            | 0.20          |
| 2011 | 1,904.65     | 9,166.39            | 0.21          |
| 2012 | 1,905.00     | 7,370.69            | 0.26          |
| 2013 | 2,348.66     | 11,713.34           | 0.20          |

Significance
From the above table it is found that the dividend payout ratio is found to be high in the year 2012 with 0.26 and low in the years 2009, 2010 and 2013 with 0.20. The current year 2013 dividend payout ratio is found to be decreasing with 0.20 when compared to the previous year.

10. Trend Analysis

Table 10. Trend percentage of current assets

| Years | Current Assets (Y) | X | XY | X^2 | y=a+b(x) |
|-------|--------------------|---|----|-----|----------|
| 2009  | 484234.50          | -2| 968469| 4 | 501974.7 |
| 2010  | 646907             | -1| 646907| 1 | 621344.9 |
| 2011  | 728098             | 0 | 0    | 0 | 740715   |
| 2012  | 879593.6           | 1 | 879593.6| 1 | 860085.2 |
| 2013  | 964742.06          | 2 | 1929484| 4 | 979455.4 |
| Total | 3703575.16         | 0 | 1193702| 10|          |

a = 740715 b = 119370.2

Estimation of Sales for 2014
Y = a + bx
For 2014, when X = 3, Y = 89008.93.

Estimation of Sales for 2015
Y = a + bx
For 2015, when X = 4, Y = 87974.57.

11. Findings

- The Net decrease in Working capital for the year 2009-2010 is 135337.18.
- The fund flow operation for the year 2009-2010 is 142545.18.
- The Net decrease in Working capital for the year 2010-2011 is 9288332.39.
- The fund flow operation for the year 2010-2011 is 9579226.83.
- The Net increase in Working capital for the year 2011-2012 is 126583.58.
- The fund from operation for the year 2011-2012 is 9594259.74.
- The Net increase in Working capital for the year 2012-2013 is 109481.34.

12. Suggestions

- There are various global challenges that are faced by
every company in the present competitive environment and Integrated Support and Allied Services Pvt. Ltd. is not any exemption. To face the present global challenges the human resources department should be develop to improve various skills among the employees specially the motivational skills and having the regular training for the employees about various developments in the market.

- The current assets should be managed more effectively so as to avoid unnecessary blocking of capital that could be used for other purposes.
- The Working Capital requirement is to be assessed based on the norms circulated by RBI.

### 13. Conclusion

The company is performing exceptionally well due to the up wising in the global market followed by the domestic market. It is an upcoming one with good and innovative ideas and believed in improving all the areas of its operations. The company has a good liquidity position and does not delay its commitment in cash of both its creditors and debtors. The company being mostly dependent on the working capital facilities, it is maintaining very good relationship with their companies and their working capital management is well balanced.

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