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***Research Paper***

# FIXED ASSETS MANAGEMENT –LG ELECTRONICS

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## Abstract

Fixed Assets plays very important role in relating company's objectives the firms to which capital investment vested on Fixed Assets. These fixed assets are not convertible or not liquid able over a period of time the total owner funds and long-term liabilities are invested in fixed assets. Since fixed assets playing dominant role in total business the firms has realized the effective utilization of fixed assets. So ration contribution very much in analyzing and utilized properly it effects long term sustainability of the firms which may affect liquidity and solvency and profitability positions of the company. The first important consideration to be acquire only that much amount of fixed assets which will be just sufficient to ensure and efficient running of the business. In some cases it may be economical to buy certain assets in a lot size. Another important consideration to be kept in mind is possible increase in demand of the firm's product necessarily expansion of its activities. Hence a firm should have that much amount of fixed assets, which could adjust to increase demand. The third of fixed assets management is that a firm must ensure buffer stocks of certain essential equipment / services to ensure uninterrupted production in these events of emergencies. Sometime, there may be a breakdown in some equipment or services affecting the entire production. It is always better to have some alternative arrangements to deal with such situations. But at the same time the cost of carrying such buffer stock should also be evaluated. Efforts should also be made to minimize the level of buffer stock of fixed assets be encouraging their maximum utilization during learn period, transferring a part of peak period and living additional capacity.

## I.INTRODUCTION

Financial management is the managerial activity which is concerned with the planning and controlling of the firm's financial resources. Financial management is the procurement funds and establishes utilization of funds. There are so many definitions for financial management, one of the important definitions are finance is the art and science of managing money. Finance may be defined as the provision of money at the time where, it is required. Finance refers to the management flows of money through an organization. It concerns with the application of skills in the use and control of money. Different authorities have interpreted the term "Finance" differently. However there are three main approaches to finance.

1. The first approach views finance as to providing of funds needed by a business on most suitable terms. This approach confines finances to the raising of funds and to the study of financial institutions and instruments from where funds can be procured.

2. The second approach relates finance to cash.

3. The third approach views finance is being concerned with rising of funds and their effective utilization.

**Definition:**

Financial Management as practice by corporate firms can be called corporation finance or business finance, Financial Management refers to that part of the management activity, which is concerned with the planning & controlling of firms financial resources. It deals with finding out various sources for raising funds for the firm. The sources must be suitable and economical for the needs of the business. The most appropriate use of such funds also forms a part of Financial Management.

**Research Methodology:**

**SOURCES OF THE DATA:**

The data gathering method is adopted purely from secondary sources.The theoretical content is gathered from eminent texts books and reference and library at LG

**ELECTRONICS INDIA PRIVATE LIMITED.**

1.The Financial data and information is gathered from annual reports of the company internal records.

2.Interpretation, Conclusions and Suggestions are purely based on my opinion and suggestions provided by the project guide

**TOOLS USES DATA ANALYSIS:**

The tools used in data analysis are two they are

- Trend percentages and
- Ratio analysis

**TREND PERCENTAGES:**In Financial Analysis the direction of changes over a period of years is of initial importance. Time series or trend analyses of ratios are the indicators of the direction of change. This kind of analysis is particularly applicable to the items of profit and loss account. It is advisable that trends of sales and net income may be studies in the light of two factors. The rate of fixed assets expansion or secular trend in the growth of the business and the general price level. It might be found in practice that a number of firms would be shown price level. It might be found in practice that a number of firms would be shown a persistent growth over period of years. But to get a true trend of growth, the sales figure should be adjusted by a suitable index of general prices. In other words, sales figures should be deflated for rising price level. Another method of securing trend of growth and one which can be used instead of the adjusted sales figure or as check on them is to tabulate and plot the output or physical volume of the sales expressed in suitable units of measure. If the general price level is not considered while analyzing trend of growth, it can be mislead the management so they may become unduly optimistic in period of prosperity and pessimistic in dual periods.

For trend analysis, the use of index numbers is generally advocated the procedure followed is to assign the numbers 100 to items of the base year and at calculate percentage change in each items of other years in relation to the base year. The procedure may be called as ‘fixed percentage method’ This margin determines the direction of upward or downward and involves the implementation of the percentage relationship of the each statement item means to the same in the base year. Generally the first year is taken as the base year. The figures of the base year are taken as 100 and trend ratios the other year are calculated on the basis of one year. Here an attempt is made to know the growth of total investment and fixed assets of LG ELECTRONICS INDIA PRIVATE LIMITED for Five years that is 2020-2021 to 2024-2025.

## II.LITERATURE REVIEW

A Study on Fixed Assets Management by A. Haritha, K Divya, (Oct 2019): Assets and property that are not easily convertible into cash are called fixed assets in accounting. Property and plant and equipment (PP&E) is another name for these assets. When compared to liquid assets, such as cash and bank accounts, this could be seen in a different light. The term "fixed assets" is often understood to refer only to tangible items. Any asset that does not immediately benefit the company's end users or customers is considered a fixed/non-current asset. Baking supplies (flour, yeast, etc.), money owed to the bakery by clients (debtors or accounts receivable), bank accounts, etc., are all examples of what would be considered current assets. Assets that do not generate immediate revenue include things like the bread oven, delivery vehicles, cash registers, and so on. None of our non-current assets have been purchased by anyone. In the business world, fixed assets may include everything from buildings and land to vehicles, furnishings, office supplies, computers, fixtures, and equipment. This company has invested in some very valuable assets that will serve it well for many years to come. When compared to assets having a shorter lifetime, they are often granted advantageous tax treatment, sometimes known as a depreciation allowance.

Research on Fixed Asset Management from the perspective of Industry – Finance Integration – Based on CNN Method by Hong Jiu, Jing Wang, Shui Jiang, (2022): The incomplete integration of financial data from fixed assets is a major issue in fixed asset management and financial integration. In this article, we show how to improve corporate fixed asset management and usage efficiency by collecting, extracting, processing, and applying data on fixed assets using the CNN approach. This method is great at target deep feature extraction. The issue of further optimization and enhancement is thus resolved. I developed a convolutional neural network (CNN) model and framework for fixed asset business data fusion, connected it with the fixed asset procurement business of the A grid firm, described how to put the CNN approach into practice for fixed asset business fusion, and then verified its functionality. The article provides practical suggestions for improving communication between the financial sector and fixed asset management companies, creating a company culture that aligns with the fixed asset industry and integrating the two sectors through the use of innovative IT.

Analysis of Fixed Assets Management in the Manfactruing Industry, India, by Dr. Toopalli Sirisha, Mrs.G.Githanjali Jain, (July 2023): The possession and usage of physical objects by a business is known as a fixed asset. In this paper, we will look at the problem that affects asset management effectiveness and profitability and how it stems from non-current fixed assets. The impact of estimates and values on accounting fixed assets is one of the several purposes of this research. The fixed assets management process involves carefully documenting and monitoring fixed assets from the time of acquisition until they are sold. Businesses cannot comply with reporting and accounting requirements without accurate record-keeping.

An Analysis of Fixed Assets Management of Sugar Industry in Karnatka by Dr.Salma Banu, (Dec 2022): A significant chunk of capital investment goes into capital expenditures, which are important for depreciation policies and fixed asset management. How much and how it is depreciated impacts a factory's financial health and return on capital employed. Finding out how much depreciation there is in connection to gross block and sales is the main purpose of the research. A secondary goal of the study is to analyze the impact on sample sugar plant sales and return adequacy indices, gross block indices, and depreciation rates.

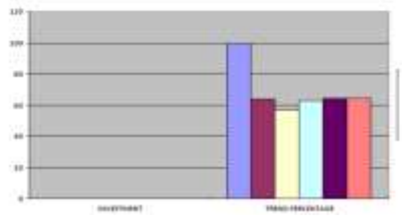
A Study on Fixed Asset Management by Mr. P.C. Penchala Reddy, Mr. Dudekula , (Dec 2017): Assets and property that are not easily convertible into cash are called fixed assets in accounting. Property, plant, and equipment (PP&E) is another name for these assets and properties that aren't needed right now. Something that can be used right now is like liquid assets, which include things like bank accounts and cash. The term "fixed assets" is often understood to refer only to tangible items. An extra way to look at fixed/non-current assets is as anything that a company doesn't sell to its consumers or end users. Baking ingredients, yeast, flour, and other liquid assets, as well as debtors' or accounts receivable's sales value, bank accounts, and other liquid assets could be considered a bakery's current assets. Its bread oven, delivery vehicles, cash registers, and other such items are examples of non-current assets.

## III.DATA ANALYSIS AND INTERPRETATION

### 1. The Firm Should Evolve Strategies Regarding The Following Two Facts

| YEAR | INVESTMENT | TREND PERCENTAGE |
|---|---|---|
| 2019-2020 | 44,85,21,386 | 100 |
| 2020-2021 | 39,48,35,265 | 64.25 |
| 2021-2022 | 24,99,07,990 | 56.71 |
| 2022-2023 | 28,19,24,444 | 62.85 |
| 2023-2024 | 29,01,51,000 | 64.69 |
| 2024-2025 | 28,87,28,000 | 64.57 |

**Graph:**



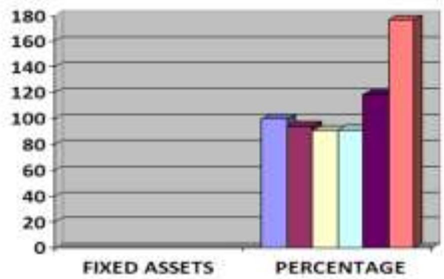
**INTERPRETATION:**

From the analysis of the above table it can be observed that the growth rate of total investment of LG ELECTRONICS INDIA PRIVATE LIMITED is in downward trend which shows table of the LG ELECTRONICS INDIA PRIVATE LIMITED investment in total investment is decreasing from time to time during the year 2019-2020. It was recorded 100%. But it is decreasing in the year 2024-2025 which shows that there is a net decrease to 64.37%. The average investment in total assets was found to be Rs. 3, 33,466.27 during the review period. During the period of 2019-2020 it is Rs. 44, 85, 21,389 and it was decreased in the year 2024-2025 Rs.2, 887.2

### 2. Growth Rate In Fixed Assets

| YEAR | FIXED ASSETS | PERCENTAGE |
|---|---|---|
| 2019-2020 | 6,25,64,02,879 | 100 |
| 2020-2021 | 5,89,55,39,377 | 94.23 |
| 2021-2022 | 5,69,93,08,565 | 91.09 |
| 2022-2023 | 5,71,48,37,436 | 91.34 |
| 2023-2024 | 7,43,21,97,000 | 118.79 |
| 2024-2025 | 11,05,19,01,00 | 176.64 |

**Graph:**




**INTERPRETATION:**

Growth rate in fixed assets, the examination of the above table reveals analysis and interpretation.

A. During the year 2019-2020the assets investment was recorded at 62564.03 and it is decreased to Rs.1,10,519.01 in 2024-2025 the fixed assets investment is quite satisfactory.

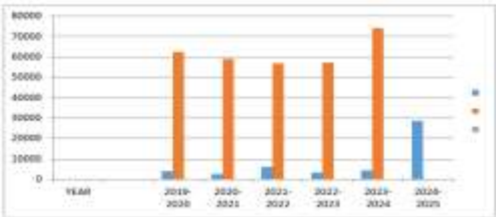
B. The trend percentage in the year 2019-2020 is taken as the base year as 100% and it was increased to 176.64 in the year 2024-2025.

C. The average growth rate in fixed assets Rs.61996.566 in 6 years

### 3. RETURN ON FIXED ASSETS

| YEAR | PROFIT AFTER TAX (IN LAKHS) | FIXED ASSETS | PERCENTAGE |
|---|---|---|---|
| 2019-2020 | 4,137.14 | 62,564.03 | 6.6 |
| 2020-2021 | 2,814.67 | 58,955.39 | 4.7 |
| 2021-2022 | 6,299.57 | 56,993.08 | 11.05 |
| 2022-2023 | 3,351.28 | 57,148.37 | 5.86 |
| 2023-2024 | 4,570.92 | 74,321.97 | 6.15 |
| 2024-2025 | 28,568.32 | 1,10,519.01 | 24.03 |

Graph:




**INTERPRETATION:**

a) Return on fixed assets ratio is decreasing.

b) During the year 2019-2020 the ratio recorded as 6.6% & in the year 2024-2025 the ratio decreased 6.15%.

c) The average ratio is 6.872%.

d) The highest ratio is recorded at 11.05% in the year 2021-2022; the lowest ratio is 4.7% in the year 2020-2021.

### IV.FINDINGS

- Historical cost method in the valuation of fixed assets.
- The fixed assets do not include assets acquired on sale-cum-lease basis from various Financial Institutions whereon the lease rent paid for the year is charged to revenue.
- Plant and Machinery includes the value of Air Conditioning Plants at various units which were transferred and vested with the Corporation under the transfer scheme. The gross value and depreciation thereon are not segregated in the absence of break up details under the transfer scheme. The value thereof, however, is insignificant.
- Investments are intended for long term and are carried at cost. Income on investment is accounted on accrual basis.
- Capital expenditure on assets not owned by the company is reflected as a distinct items in capital WIP till the period of completion and therefore in the Fixed assets.
- The Company evaluates the impairment of losses on the fixed assets whenever events or

changes in circumstances indicate that their carrying amounts may not be recoverable. If such assets are considered to be impaired the impairment loss is then recognized for the amount by which the carrying amount of the assets exceeds its recoverable amount, which is the higher of an asset's net selling price and value in use. For the purpose of assessing impairment, assets are grouped at the smallest level for which, there are separately identifiable cash flows.

- Fixed assets is adjusted in their carrying cost in respect of foreign currency transactions entered before 1-4-2012 and that related to current assets is recognized as revenue/expenditure during the year.
- In case of commissioned assets, where final settlement of bills with contractors is yet to be effected, capitalization is done on provisional basis subject to necessary adjustment in the year of final settlement.

## V.CONCLUSION

After analyzing the financial position of LG ELECTRONICS INDIA PRIVATE LIMITED and evaluating its Fixed Assets Management or Capital Budgeting Techniques in respect of Components Analysis Trend Analysis and Ratio Analysis

The following conclusions are drawn from the project preparation.

1. The total growth rate in fixed assets is increased during the year 2019-2025 from 100% to 176.64%.

2. Regarding the fixed assets as a percentage of current liabilities it is observed it is decreased.

3.Regarding the total investment turnover ratio it is observed that it has been increased over the years considerably i.e., 31.2% to 76.33% during the period 2019-2025.

4. Regarding the fixed assets turnover ratio it has been observed that it is satisfactory.

5. Regarding the fixed assets to total assets it been observed that there was increased. As a result it is said to be that the ratio is quite satisfactory.

6. Regarding the profit and gross capital employed ratio it can be observed that it has been increasing over the year i.e., from 3.82% to14.48%

7. As a result of the above it can be said that the ratio is steadily increasing.

8. From the above study it can be said that the LG ELECTRONICS INDIA

PRIVATE LIMITED Financial position on Fixed Assets is quite satisfactory.

9. From the financial position of the LG ELECTRONICS INDIA PRIVATE LIMITED Industry is observed that the ratio fixed assets to turnover is not at all ideal where as a ratio of around 5 is considered as ideal so the company must and should increase the fixed assets turnover ratio.

10. From the financial position of the LG ELECTRONICS INDIA PRIVATE LIMITED Industry is observed that return on fixed assets not satisfactory throughout all the years, there was a too much fluctuation in the percentage of return on fixed assets so the company should try to decrease the fluctuations, for that the company should concentrate on sales.

11. From the financial position of the LG ELECTRONICS INDIA PRIVATE LIMITED Industry is observed that on the basis of ratio fixed assets as percentage to current liabilities, the current liabilities were increasing as fixed assets increasing gradually. For the purpose of purchasing fixed assets the company is utilizing current liabilities.

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