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A Study on cash flow statement of ITL pipes, Nandyala

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Abstract

Cash flow statement is an important tool analyse the cash position of the business firm it can denote changes in cash position during to financial years it also provides information about the cash receipts and payments of the business of the given period it provides not able information that complement the profit and loss account and balance sheet. The important of cash flow statement is derived from its usefulness as a tool for the assessment of the statement of the business by owners, investors, people and institutions, who may be consider lending money to the business. The final section of cash flow statement is the summary. The summary of the cash flow statement from operating activities, investing and financial activities. The statement shows the cash balance at the beginning of the period and end of the period. It provides convenient information about entity activities in generating cash from operation.

Key words: cash flow, liquid assets, forecasting the profit.

INTRODUCTION

CASH FLOW Statement:

In financial accounting, cash flow statement or statement of cash flows is a financial statement that shows a company's incoming and outgoing cash during a time period. All three statement are arranged from the same accounting information, but each statement serves its individual function. The statement of cash flow report the movement of cash into and out of your business in a given year. Cash is the lifeblood of your company. The cash flow statement reports your business sources and uses of cash and the beginning and ending values for cash and cash equivalents each year. It also includes the combined total change in cash and cash equivalents from all sources and uses of cash. Cash flow Statement format planning involves forecasting and tabulating all significant cash inflows and analysing the timing of expected payments in detail. We have highly skilled cash flow financing professionals prepare

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comprehensive periodic cash flow projections that can assist you in tasks such as budgeting, business planning and fund raising.

In essence, cash flow statements are statement of changes in financial position prepared on the basis of funds defined as cash or cash equivalents. In short, cash flow statement summaries sources of cash inflows and use of cash out flows of the firm during a particular period of time.

Meaning:

Cash flow statement is a statement which describes the inflows(sources) and outflows (uses) of cash and cash equivalents in a during a specified period of time. Such a Statement enumerates net effects of the various business transactions on cash and cash equivalents and takes into an account receipt and disbursements of cash. Cash flow statement summaries the causes of changes in cash position of a business enterprise between dates of two balance sheets. Accounting to As-3 (Revised), an enterprise should prepare a cash flow statement and should present it's each period for which financial statement are prepared. The terms cash, cash equivalents and cash flow are used in this statement with the following meaning.

Cash: comprise cash on hand and demand deposits with banks.

Cash equivalents: are short term, highly liquid investment that are readily convertible into known amounts of cash and which are subject to an in significant risk of changes in the value. Cash equivalents are held for the purpose of meeting short term cash commitments rather than for investments or other purposes. For an investment to qualify as cash equivalents, it must be readily convertible to a known amount of cash and be subject to an in significant risk of change in value. Therefore, an investment normally qualifies as cash equivalents only when it has short maturity, of say three months or less from the date of acquisition investment in shares are excluded from cash equivalents unless they are, in substance, cash equivalents.

Cash flows: are inflows and outflows of cash and equivalents. Flow of cash is said to have taken place when any transaction makes changes in the amount of cash and cash equivalents available before happening of the transaction results in the increase of cash and cash equivalents, it is called an inflow (sources) and if it results in the decrease of total cash, it is known as outflows(use) of cash.

Definition:

According to CSF or SCF statement of cash flows- but each name represents the same thing: a financial statement where a company's operating, investing, and financing activities are reported in terms of incoming and outgoing money. Cash moves into and out of a business for various reasons, sometimes unrelated to the direct sale of products, goods or services. The cash on these financial statements includes

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current assets, like money in checking and saving accounts, and cash equivalents, like short-term investments. Cash flow statement explain how the company manages this cash. For example, ACSF can show if a company is taking on excess financing to fund operations but isn't generating enough cash to support those debts.

Classification of cash flow statement:

According to AS-3(revised), the cash flow statement should report cash flows during the period classified by operating, investing and financing activities. Thus, cash flows are classified in to three main categories:

- Cash flows from operating activities
- Cash flows from investment activities
- Cash flows from financial activities

Cash flows from operating activities: The operating activities on the CFS include any sources and uses of cash from business activities. In others, it reflects how much cash is generated from a company's products or services. These operating activities might include, receipts from sales of goods and services, interest payments.

Cash flows from investing activities: investing activities include any sources and uses of cash from company's investments. Purchases or sales of assets, loans made to vendors or received from customers, or any payments related to mergers and acquisitions are include in this category. In short, changes in equipment, assets, or investments relate to cash from investing.

Cash flows of financial activities: Cash from financial activities includes the sources of cash from investors and banks, as well as the way cash is paid to shareholders. This includes any dividends, payments for stock re-purchases, and re-payment of debt principal (loans) that are made by the company.

REVIEW OF LITERATURE

Sudarasan Reddy, Raghunatha Reddy, Mohan Reddy (2009):

Examined the internal funds availability for financing fixed assets in paper industry oh Andhra Pradesh. The study found that the owners funds were insufficient finance fixed asset and observed that fixed assets do not have significant relationship with sales.

Eljelly (2007):

Elucidated that efficient liquidity management involves planning and controlling current assets and current liabilities in such a manner that eliminates the risk of inability to meet due short-term obligations and avoids excessive investment in these assets. The relation between profitability and liquidity was examined, as measured by current ration and cash gap (cash conversion cycle) on a sample of joint stock companies in Saudi Arabia using co-relation

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aggression analysis. The found that the cash conversion cycle was of more importance of as a measure of liquidity than the current ratio that affects profitability. The size variable was found to have significant effect on profitability at the industry level. The results were stable and had important implications for liquidity management in various Saudi companies.

First, it was clear that there was a negative relationship between profitability indicators such as current ratio and cash gap in Saudi sample examined.

Second, the study also revealed that there was great variation among industries with respect to the significant measure of liquidity.

Deloof (2003):

Discussed that most firms had a large amount of cash invested in working capital. It can therefore be expected that the way in which working capital is managed will have a significant impact on profitability of those firms. Using co-relation aggression tests, he found a significant negative relation between gross operation income the number of days accounts receivable, investors and accounts payable of Belgian firms. On the basis of this results, he suggested that mangers could create value for their shareholders by reducing the number of days accounts receivable and investors to a reasonable minimum profit. The negative relationship between accounts payable and profitability is consistent with the view that less profitable firms wait longer to pay their bills.

Chosh and Maji (2003)

In this paper made an attempt to examine the efficiency of working capital management of the Indian cement companies during 1992-93 to 2001-02. For measuring the efficiency of working capital management, performance, utilization, and overall efficiency indices were calculated instead of using some common working capital management ratios. Setting industry norms as target-efficiency levels of the individual firms, this paper also tested the speed of achieving that target level of efficiency by an individual firm during the period of study. findings of study indicated that the Indian cement industry as a whole did not perform remarkable will during this period.

Needs for the study:

Monitoring and managing cash flows: A cash flow Statement helps businesses monitor and manage their cash flow effectively by tracking the inflows and outflows of cash over a specific period.

Forecasting future cash flows: By analysing past cash flows statements, business can forecast future cash flows and plan for any potential cash shortages or surpluses.

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Identifying cash flow trends: cash flow statements help business identify trends in their cash flow, such as seasonality or cyclical patterns, which can inform decision making and strategic planning.

Evaluating liquidity: The cash flow statement provides valuable information about a company's financial health and ability to generate cash from its operating activities.

Faciliting decision making: The information provided in the cash flow statement helps management make informed decisions about budgeting, investing, financing, and other strategic initiatives.

Objectives of the study:

- To know cash flow during the period from operating, investing and financing activities.
- To evaluate the ability of the firm to meet obligations such as loan repayment, dividend, taxes etc.
- To identify the net incomes, cash receipts and cash payments maintain in ITL company.
- To know financial operations in a company.

Research Methodology

Methodology describes the method of achieving objectives through collection of data. The data collected can be either primary or secondary.

Research design: Analytical study

Sources of data:

1) Primary data
2) Secondary data.

Primary data: Most of the information is collected from internal interviews and discussions with various officials in the finance department and concerned executive of another department.

Secondary data: The secondary information was collected already published sources.

1) Annual reports, published records and reference books.
2) Executives and staff financial accounting department.
3) Executives of other departments.

There are some of the tools, which are relevant for the study of ratio analysis and performance of integrated thermoplastics ltd.

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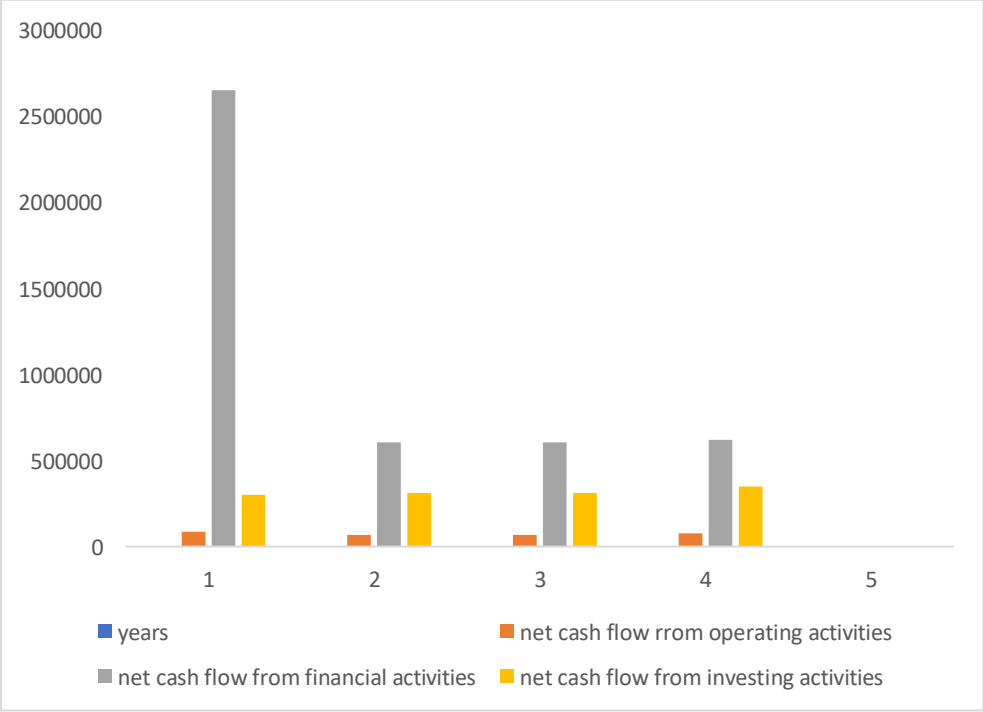
Analysis

Over all sources of cash flow statement

Years	Net cash flow from operating activities	Net cash flow from financing activities	Net cash flow from investing activities
2019-2020	86850.61	2645502.51	299096.16
2020-2021	67464.81	644069.97	310407.05
2021-2022	67464.81	644069.97	310407.05
2022-2023	77140.87	619569.	348642.15

GRAPH :



Cash Net flow of operating activities:

Net cash flow from operations activities	2019-20	2020-21	2021-22	2022-23
Values	86850.61	67464.81	67464.81	77140.87

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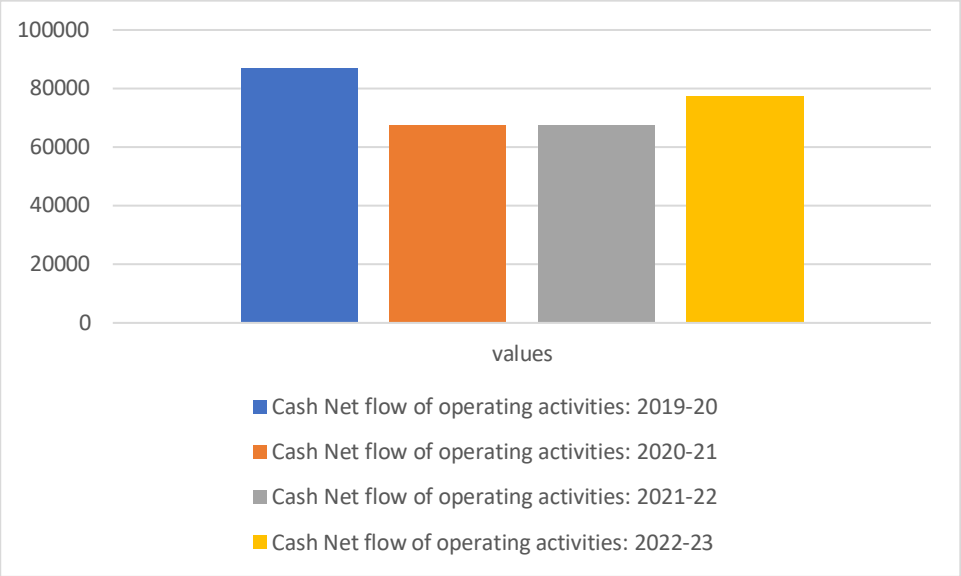
GRAPH :



Interpretation: from the above graph the cash flow is operating activities area in decreasing trend when compare to 2019-23.

Net cash flow of financing activities table:

Net cash flow from financing activities		2019-20	2020-21	2021-22	2022-23
Values		2645502.51	604069.97	604069.97	619569.24

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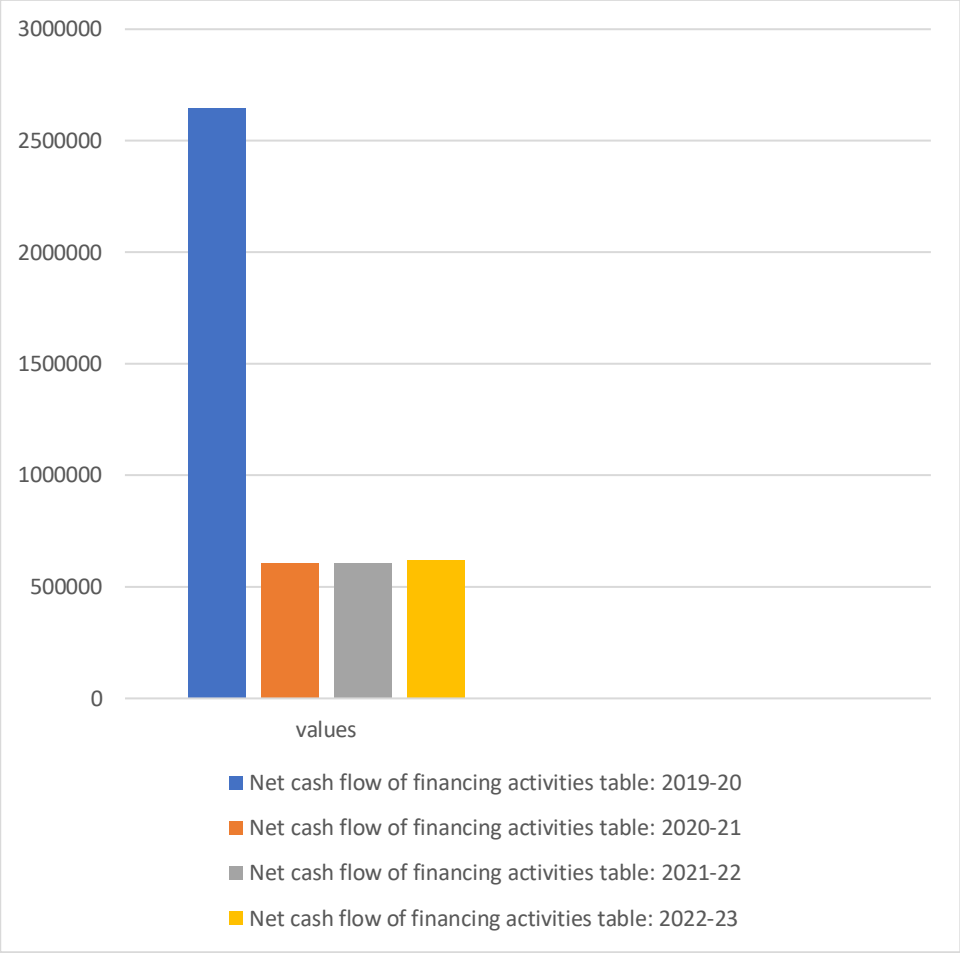
GRAPH:



Interpretation: From the above graph the cash flows financing activities are in increasing trend.

Net cash flow of investing activities table:

Net cash flow from investing activities	2019-20	2020-21	2021-22	2022-23
Values	299096.16	310407.05	310407.05	348642.15

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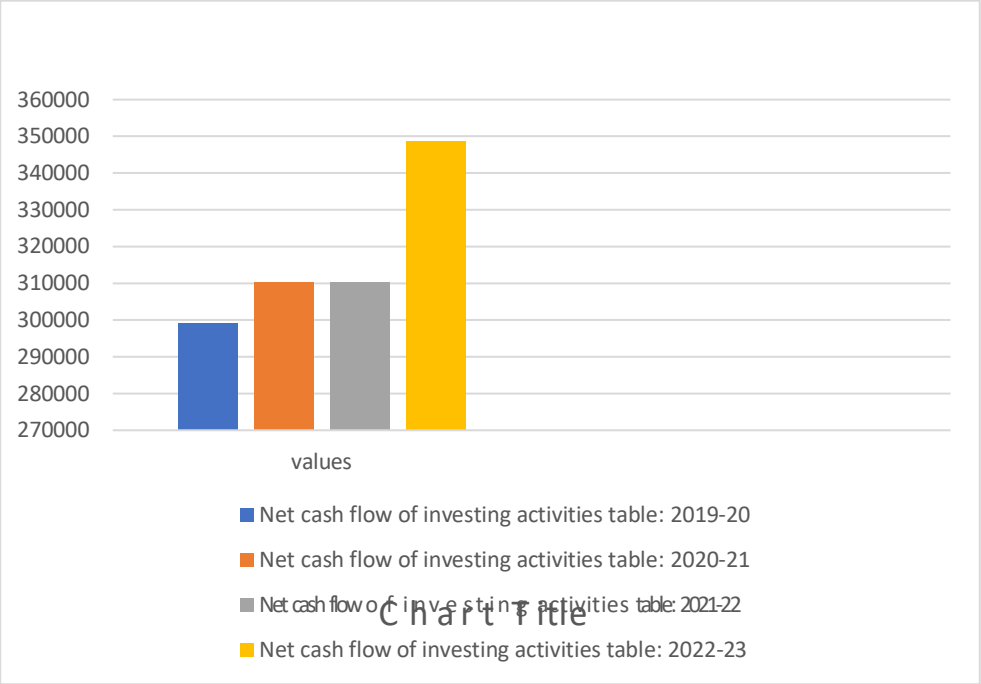
GRAPH :



Conclusion:

In this section, the researchers attempt several previous works related to this study. This part of flow of money and about the importance of information and help in understanding money. The climate runs out of money due to annual or unpaid profits and losses by the company and more. As a result, we report on the financial reports for the cash flow index and balance sheet, as well as the income statement. On the other hand, make sure that each program is based on the company financial position and financial reports, the company's current and future assets, it's values and costs, and the inability to manage its market income if you are unsure of the company financial position.

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