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## **A Study on the Fixed Assets Management with special reference to Tirupattur Cooperative sugar mills ltd Vellore D.t**

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### **ABSTRACT**

The Articles was carried out Financial statement study is to analyze about overall financial activities of the concern. Finance plays a key role in a concern success, gives accurate and reliable information on financial parameters and helps for the decision making process of the corporate management. The study is based on secondary data obtained from the published Annual reports of the corporation, comprising of profit and loss account and balance sheet. This study contains the fixed asset management for the period of five years from 2009 to 2014. The objectives of the study are to analyze the fixed assets turnover, adequate fixed assets returns and profitability and efficiency .The objective is to analyze the financial position of the company through ratio analysis of financial efficiency ratio, solvency



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ratio and profitability ratio and comparative balance sheet. The project is done by analytical research.

**Keywords: Financial statement, reliable information, asset management**

## CHAPTER 1

### 1. INTRODUCTION

Fixed Assets are the assets held with the intention of being used on continuous basis for the purpose of producing or providing goods or services and are not held for resale in the normal course of business. Valuation of fixed assets is important to have fair measure of profit or loss and financial position of the concern. Fixed assets are meant for use for many years. The value of these assets decreases with their use or with time or many other reasons. A portion of fixed assets are reduced by usage are converted into cash through charging depreciation. For correct measurement of income, proper measurement of depreciation is essential, as depreciation constitutes a Part of total cost of production.

Financial transactions are recorded in the books, keeping in view the going concern aspect of the business unit. In going concern aspect it is assumed that the business unit has reasonable expectation of continuing the business for a profit for an indefinite period of time. This assumption provides much of the justification for recording fixed assets at original cost and depreciating them in a systematic manner without reference to their current realizable value.



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It is useless to record the fixed assets in the balance sheet at their estimated realizable values if there is no immediate expectation of selling them. So, they are shown at their book value (i.e., Cost – Depreciation) and not at current realizable value. The market value of the fixed assets may change with the passage of time, but for accounting purpose it continues to be shown in the books in historical cost. The cost concept of accounting states that depreciation calculated on the basis of historical cost of old assets is usually lower than the amount calculated at current value/ replacement value. These results in more profits, which if distributed in full will lead to reduction in capital.

### 1.1.1 FIXED ASSETS MANAGEMENT CYCLE

The fixed assets management cycle is the cycle of activities from the acquisition of the asset to the final disposition of the assets at the end of their useful life.

The cycle has 7 steps:

- ❖ **Acquisition:** The cycle begins with the acquisition, purchase, gift or otherwise, of an asset and the determination that the asset is to be capitalized. To be capitalized the asset has to meet the agency's capitalization limit and have a useful life of one year or more.
- ❖ **Receiving:** The asset is formally received and accepted by the agency. Receipt may be verified by entry into an automated purchasing system or by hard copy document. In the case of donated fixed assets, receipt can be verified by a letter to the donor.



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- ❖ **Payment:** Payment is made for the asset according to the terms of the purchase order or recognition of acceptance of a gift to the donor. The payment includes the acquisition cost, freight and all other costs to put the asset. Acquisition cost of donated fixed assets is determined by its fair market value.
- ❖ **Identification:** the asset is identified as an asset, tagged or otherwise identified and entered into the fixed assets management inventory system. Assets are identified with a permanently attached identification tag, etching or by painting on the identification number.
- ❖ **Inventory:** The longest step in the cycle. The asset is used over its useful life. Assets are inventoried and accounted for during this step until they are no longer needed. The agency's policies and procedures determine the inventory interval.
- ❖ **Excess:** the asset is declared as excess to the user's needs. The asset may be transferred to another user where it will continue to be used, accounted for and inventoried. Assets may be declared as excess more than once until the asset is no longer needed.
- ❖ **Surplus:** the last step in the fixed assets management cycle. The asset is declared to be surplus property and to have no further value to the agency. The asset is disposed of by sale or discarding depending on the residual value. Sale can be by auction, sealed bid, spot sale, or through a sales store.

## Chapter-II

### 2.1 OBJECTIVES OF THE STUDY:

- To evaluate fixed assets are giving adequate returns to the company.



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- To evaluate fixed assets are liquidated for long term obligation.
- To determine the profitability and liquidity efficiency to the company.
- To summarize the finding, suggestion and conclusions.

## 2.2 NEED OF THE STUDY:

- As fixed assets play an important role in company's objectives.
- The owner's funds and long term liabilities are invested in fixed assets.
- Fixed assets are the assets which cannot be liquidated into cash within one year.
- The huge amounts of funds of the company are invested in these assets.
- Every year company invests an additional fund in these assets directly or indirectly.

## 2.3.SCOPE OF THE STUDY:

- The article is covered on fixed assets management of cooperative sugar mill ltd. Drawn from annual reports of the company.
- To study helps for accountability of future studies as secondary data.
- To know the current position of the company .The subject matter is limited to fixed assets, To know the how to prepare the financial position in current period.
- It analysis and its performance but not to any other areas of accounting corporate, marketing and financial matters.
- Offer the suggestion for the better improvement of company.

## 2.4. LIMITATIONS:



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1. The study is limited into the date and information provided by the cooperative sugar mill and its annual reports.
2. The report may not provide exact fixed assets status and position of cooperative sugar mill ltd. it may be varying from time to time and situation to situation.
3. Most of the information has been kept confidential and as such as art of policy of company. This report is not helpful in investing in cooperative sugar mill ltd.
4. Time is an important limitation. Either through disinvestments or capital market.
5. The accounting procedure and other accounting principles are limited by the changes made by the company, may vary fixed assets performance.

## CHAPTER III

### 3.1 RESEARCH METHODOLOGY:

The data used for the analysis and interpretation is from annual reports of the company i.e., secondary forms of data. Ratio analysis is used for calculation purpose. The project is presented using tables, graphs and with their interpretations. No survey is undertaken or observation study is conducted by evaluating fixed assets performance of the company.

#### 3.1.1.1 Research design:



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A research design involves a series of rational decision making choices which specifies the methods and procedures for conducting a particular study.

### 3.1.2 Analytical design:

A study that to analysis or measuring the exiting data. Here the available information or data are analyzed and critical evaluations are made to solve the problems it both quantitative and qualitative data are used.

### 3.1.3.Data Collection Method:

#### Secondary data:

Data studies whole company records and company's financial statements in which the project work has been done. In addition, a number of reference books, balance sheet, trading, profit and loss account and reports were also used to formulate the theoretical model for the study. The report of the study accounts for the past three years, which constitutes the basis of the study and some information, was also drawn from the websites.

### 3.2. Sources of secondary data:

- Most of the calculations are made on the financial statements of the company provided statements.
- Referring standard texts and referred books collected some of the information regarding theoretical aspects.



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- Method- to assess the performance of the company method of observation of the work in finance department in followed.

### 3.2.1 Period of study:

- This study taken into five years 2009-2014 financial statements of the Tirupattur co-operative sugar mill.

## CHAPTER – IV

### 4.1 FINDING TO THE STUDY

The following findings are observed from the data analysis and interpretation which are as follows:

1. The highest Assets turnover ratio is 12.69 during 2013.its indicates Assets turnover value is increasing to getting more sales revenue.
2. The highest stock turnover ratio is 15.38 during 2010 and the lowest ratio is 15.36 during 2011. A high stock turnover ratio indicates more efficiency and lowest ratios indicates inefficiency.
3. To highest debtor turnover ratio is 3.04 during the year 2013. It indicates that decreasing credit collection and receivable efficiency of credit collection.





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4. To highest current ratio is 1.39 during 2011. It indicates more sufficient of current assets and current liabilities.
5. The liquidity ratio is most of constant 1.35 during 2009 and 2013. It shows that liquidity is comfortable position of the firm.
6. The lower cash ratio is 0.14 during the year 2010 and 2012. It shows that the cash position is not utilized effectively.
7. A higher ratio is indicating higher profitability and increasing in selling price. The higher gross profit ratio is 24% during the year 2011, 2012 and 2013.
8. The lower cash ratio is 0.14 during the year 2010 and 2012. It shows that the cash position is not utilized effectively.
9. The highest operating ratio is 80% and lowest ratio is 78% during the year 2010 & 2011. It indicates more expenditure incurred in production & sales. Lower ratio is the more efficiency.
10. To 65% is the higher return on investment during the year 2013. It shows that sufficient return on investment of the firm.
11. The higher ratio is 5.70 during the year 2013 and lowest ratio is 5.30 during 2009. It indicates that more efficiency of utilizations of fixed assets and profitability of firm



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#### 4.2.Suggestion

- Ratio analysis indicates that the sugar mill is not in good health none of the ratios are not reaching the standard. It is necessary enhance the operating efficiency.. Hence the firm should concentrate on enhancing the operating efficiency of the firm for enhancement of share holders wealth.
- To increase the cash position of industry to utilized effectively and efficiently.
- The Efforts should be taken to increase the overall efficiency in return out of capital employed by making used of the available resource effectively.
- The industry can increase sources of funds to make effective research and development system for more profits in the future.
- To avoid more expenditure to incurred in production & Vellore distribution.
- From the study it is found that the funds are used for short term assets which should be avoided.
- The long term sources of funds should be used for long term assets and not for short term assets.
- The Gross Profit ratio indicates that the gross profit is declining year by year, it is not good for the company so it has to take measures to control the operating costs.
- The company needs to maintain good inventory turnover ratio by increasing the sales.

#### 4.3.Conclusion



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The company overall financial position is in increasing trend. The last year financial position of the company was very good because of the improvement in profit level comparing to last five years. The company has to take appropriate steps to control the cost, increase the volume of sales, and also increase profit in the upcoming years. The company has to improve the liquidity position, profitability position and efficiency of the Tirupattur co-operative sugar mill Ltd. The fixed asset and performance of the industry for the five years is analyzed and it is proved that the industry is financially sound.

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