**INTRODUCTION TO TOPIC:**

 Cash is the basic input needed to keep the operations of the business going on a continuing basis; it is also the final output expected to be realized by selling the product manufactured by the manufacturing unit. Cash is both the beginning and the ending of the business operations.

 Sometimes, it is so happens that a business unit earns sufficient profit, but inspire of this is not able to pay its liabilities when they become due. Therefore, a business unit should always try to keep sufficient cash, neither more nor less because shortage of cash will threaten the firm’s liquidity and solvency, where as excessive of cash will not be fruitfully utilized, will simply remain idle and will affect the profitability of ac concern. Effective cash management therefore implies a proper balancing between the two conflicting objectives of liquidity and profitability.

 The management of cash also assumes importance because it is difficult to predict coincidence between the inflows and outflows accurately and there is no perfect coincidence between the inflows or cash inflows exceeding cash outflows. Cash flow statement is one f the tool of cash management because it throws light on cash inflows and cash out flows of a particular period.

**Meaning of Cash flow:**

 A cash flow analysis is more useful because it gives detailed information to the management about the sources of cash inflows and outflows. Cash flow analysis means to reveal the cash outflows and cash inflows in a particular period. An analysis of cash flows is useful for short run planning.

**Definition:**

Cash flow analysis can be defined

 “As a statement which summaries sources of cash inflows and outflows of particular period of time, say a month or a year”.

 Such statement can be prepared from the data made available from comparative balance sheets, profit and loss account and additional information.

 It is an essential tool short term financial analysis and is very helpful in the evaluation of current liquidity of a business concern. It helps the business executives of a business in the efficient cash management and internal financial management. It is evaluating the cash inflows and outflows of company’s during a particular period. It reveals the cash position of the company.

**Introduction to financial management:**

**Financial Management:**

 In the earlier years of its evaluation it was created rising of funds. In the current year literal pertaining to management a border scope. So as to include in additional to procurement of funds efficient of funds efficient financial resources in universally reorganized. The term nature as applied to financial management refers to its relationship with the closely related fields of economics and accounting its functions, scope.

**Definitions:**

 “Financial management. is considered with the efficient use of an important economic resources namely capital funds.” ------- Solomen

 “Financial management is the application of planning and control function to the finance functions.”---------Howard and Upon.

**Finance Functions:**

 It may be difficult to separate finance functions from production, marketing and other functions, but the functions themselves can be readily identified. The functions of rising funds, investing them in assets an distributing returns earned to share holders respectively known as financing decision, investing decision, and dividend decision. A firm attempts to balance cash inflows and outflows while performing these functions. This is called liquidity decision, and we may add it to the list of important finance decisions or functions. Thus finance functions include:

1. Long term asset mix (investment decisions)
2. Capital mix (financing decisions)
3. Profit distribution (dividend decisions)
4. Short term asset mix (liquidity decisions)

**Scope of Finance:**

 Firm create manufacturing capacities for production of goods some provide service to customers. They sell their goods or services to earn profit. They raise funds to acquire manufacturing and other facilities. Thus the three most important activities of business firm are:

* Production
* Marketing
* Finance

A firm as whatever capital it needs and employees in (finance activities) its activities which generates returns on invested capital (production and marketing services).

 So financial management helps to the firms to take the correct decisions. And also helpful to firms o know how to utilize the economic resources likely capital fund in the proper way. It is also controlling tool to control the financial functions of the firm. So it is very important in every organization.

**Meaning and Types of Financial Statements:**

 A financial statement is an organized collection of data according to logical and consistent accounting procedures. Its purpose is to convey in understanding of some financial aspects of a business firm.

 Thus, the term ‘financial statements’ generally refers to two basic statements.

1. Income statement ( Profit or loss account) &
2. Balance sheet.

**Income Statement:**

 The income statement may be prepared in the manufacturing account to find out the cost of production, in the form of trading account to determine the gross loss in the form of profit &loss account to determine the net profit or loss.

 If the profit is increasing year after year or it is higher than the other competitors, it means the business is a profitable one. Otherwise it is better to switch over to other or close down. Similarly if the expenditure is more than the income then there will be no loss. It means that the firm is losing its capital.

**Balance Sheet:**

 The balance sheet is one of the important statements which show the financial position of the firm, measured in terms of assets& liabilities. i.e., balance sheets show all the assets owned by the firm on one hand and on the other side owner’s funds and liabilities. The difference between total assets and external liabilities is known as “Owners’ equity”.

 If the owner’s equity is in increasing over a period of time, it means the firm is in the position of financial insolvency.

**Nature of Financial Statement:**

 Financial statements are prepared for the purpose of presenting a periodical review are report by the management and deal with the state of investment in business and result achieved during the period under review.

 From this it is clear that financial statements are affected by three things:

1. Recording of facts.
2. Accounting conventions.
3. Personal judgment.

**TECHNIQUES (TOOLS) FOR ANALYSIS AND INTERPRETATION:**

 The following can be used in connection with analysis interpretation of financial statements:

1. Comparative financial statements
2. Common measurement statements.
3. Trend percentage analysis.
4. Fund flow statement.
5. Net working capital analysis.
6. Cash flow statement.
7. Ratio analysis.

**INDUSTRIAL PROFILE**

**BACKGROUND OF MANGO INDUSTRY**

The lack of mango market development globally opens a large untapped opportunity for India to make an organized entry in the fresh mango and mango pulp market. India is well positioned to capitalize on this opportunity with a very large national production of mangos, including leading varieties like Alphonso. India has the potential to create a long–term global market position and to capitalize on the fast growth of mango as a preferred ingredient for the natural package food industry.

Additionally, mango is a preferred fresh fruit within the Indian domestic market, as well as globally. Mango is in strong demand within the worldwide retail sector. The total market value of Indian mango and mango pulp represents 25% of the value of agricultural and processed food products exported by India. Moreover, the consumption growth for mangos in the United States and Europe has average 10–15% per year during the last 5 years. Collectively, these factors indicate a strong opportunity to position Indian mango and mango products to meet a growing international demand. India is the world’s largest supplier of mangos, having an annual production of 10.5 million metric tons in 2003.

This accounts for 41% of the estimated worldwide mango production of 25.56 million metric tons in 2003. Despite this large mango production, India is a minor exporter of mango and mango products at this time. During the five–year period from 1998–2002, exports of fresh mangos from India averaged approximately 42.4 thousand metric tons, or only about 0.4% of mango production during this time frame. Data on exports of Indian mango pulp and juice products are more limited. Data from 1995 indicated that India exported 37.7 thousand metric tons of mango pulp.

Data from 2001 indicated that India exported 3.2 thousand metric tons of mango juice, but also imported 2.2 thousand metric tons of mango juice. Collectively, these observations indicate that, despite being by far the world’s largest mango producer, India exports less than 1% of its mango crop as fresh mangos or processed mango products. These observations with mango are consistent with aggregate data available on Indian fruit and vegetable exports.

One barrier to efficient development of the Indian mango industry is an exceedingly complex supply chain. Within the value chain, a number of buyers and other aggregators operate at local Minds and APMC to assemble larger lots from the many small producers in any given region. Associated with this inefficient aggregation process is the application of numerous commissions as fresh agricultural products trade hands. Numerous stakeholders in India have expressed concern that this overly complex value chain is a hindrance to effective marketing of Indian mangos and mango products.

A recent report from the Indian Ministry of Food Processing Industries further details the overly complex supply chain and its contribution to costs and post–harvest losses. This report concludes that it is imperative to streamline the mango supply chain in order to reduce wastage and raw material costs. (Sources: India Ministry of Food Processing Industries and Rambo bank Report).

**INDIA MANGO & MANGO PULP INDUSTRY DEVELOPMENT**

Through partnerships with mango growers, processors, export organizations, and Indian government organizations, among others, PFID—F&V is working to strengthen the small and medium mango grower base by providing capacity building at all levels.

Education and training in Good Agricultural Practices and other sanitary standards, as well as employment of certification systems, will lead to better yields, pesticide use in accordance with regulations, and a more efficient supply chain. PFID—F&V partnerships will also help identify and facilitate resources necessary for enhancing the mango supply chain such as cold storage facilities, improved packing and grading facilities, testing facilities, and logistics management. Furthermore,

A further approach will target reduction of waste in the fresh mango chain by developing high–value mango products and enhancing processing capacity for the domestic market. Ultimately, these steps will help stabilize prices, increase farmer incomes, and development the farmer base at commercial and social levels.

**MANGO PULP INDUSTRY HOPES**

* Mango pulp production to reach 75,000 tones by 2010
* Mango is raised in 36,000 hectares in Krishna Giri district
* Mango pulp processed annually is 50,000 tones
* Farmers have to go to Bangalore, as there is no testing facility in Krishnagiri
* Farmers are not getting fair price, even if there is a rise in prices in global market

**MANGO MARKET DEVELOPMENT**

PFID-F&V India has continued to forge and strengthen public and private partnerships to the point that, now, just over one year from project start-up, notable results are beginning to show in the form on increasing contributions from partnership members.

Dr. Thiagarajan, MSU/PFID-F&V, together with our two India-based coordinators, recently met with the Agricultural Product Export Development Authority (APEDA) as well as the Federation of Indian Chambers of Commerce (FICCI) and the National Institute of Marketing Boards (NIAM) to follow up on each of their commitments to promote the Indian Mango Industry.

During this visit, both the Maharashtra State Horticulture Mission and the National Horticulture Missions’ approvals were secured to begin the critical selection of 100 GAP demonstration farms, identification of trainers to participate in train-the-trainer courses and program implementation, as well as the initial survey and audits of the nucleus demonstration farms in Maharashtra.

**A PROPOSAL IS BEING PREPARED & SUBMITTED TO APEDA**

* Support employment of agric-officers to supervise, inspect and monitor the 100  demonstration farms
* To support controlled atmosphere trials of mango for both domestic and export market purposes
* To support training of extension agents from four key mango growing states in India to replicate mango demonstration model farms in these states
* To support GAP certification costs for a sub-set of mango producers
* To support the interface of project marketing activities with companies such as ITC, Reliance, ShopRite, and Metro to provide market access for these demonstration farms.

The India team is also engaged in discussion with ITC to cosponsor a packaging conference on innovations for both fresh and processed mango industries.  The goals of this packaging conference are to expose domestic producers, processors and retailers to modern food packaging solutions, and to strength market linkages among mango producers and processors with India-based supermarkets as well as key players in the export market.

Other opportunities to explore with groups like ITC, ShopRite and similar partners are establishment of a direct contract program which would include promotion, direct shipment from packing houses to stores, proper packaging, and early contracting.

**GOALS OF INDIA MANGO MARKET DEVELOPMENT**

Currently, only 1% of the total mango production in India is exported. One reason contributing to this poor export performance is that overseas buyers have stricter standards than are currently accepted within the Indian domestic market. PFID—F&V will facilitate the development and implementation of quality and safety standards which will meet the demands of the export market.

* PFID—F&V will partner with relevant Indian organizations in establishing a global image for the Indian mango starting with the establishment of quality standards and Good Agricultural Practices (GAPs) standards for India.
* PFID partnerships in India can facilitate the development of a distribution network in European and other countries where the value realizations for mango and mango pulp are the highest.
* PFID partnerships can assist mango growers and processors in developing an "India" brand image for fresh mango and processed mango products that meet consumer preferences. The predominant mango varieties grown in India make this product unique in country and abroad.
* After demonstrated success in developing a strengthening the market development of mangoes, PFID India liaisons can easily adapt this approach to the further development of other fruit and vegetable products in India.

**FOOD PROCESSING**

Food processing involves any type of value addition to agricultural or horticultural produce and also includes processes such as grading, sorting, and packaging which enhance shelf life of food products. The food processing industry provides vital linkages and synergies between industry and agriculture. The Food Processing Industry sector in India is one of the largest in terms of production, consumption, export and growth prospects. The government has accorded it a high priority, with a number of fiscal relief’s and incentives, to encourage commercialization and value addition to agricultural produce, for minimizing pre/post harvest wastage, generating employment and export growth. India's food processing sector covers a wide range of products fruit and vegetables; meat and poultry; milk and milk products, alcoholic beverages, fisheries, plantation, grain processing and other consumer product groups like confectionery, chocolates and cocoa products, Soya-based products, mineral water, high protein foods etc.

**COMPANY PROFILE**

HISTORY OF FOOD AND INNS Ltd.

The division combines people with vast experience in agric-trading with the **FOODS AND INNS Ltd Group’s** credibility to justify its premier standing in the trading arena. The division was set up in 1967 and since then has handled a wide range of products - such as Sesame Seeds, Processed Fruits, Food grains, Aqua etc.

**FOODS AND INNS Ltd began** its fruit processing operations in early 70s.However fruit processing operations have been given a special thrust since the last season with an emphasis on developing strategic partnerships across the value chain especially fruit procurement and processing. **FOODS AND INNS (P) Ltd has** established it's presence as a reliable and competitive exporter to Coca Cola, USA, Western Europe, Far East, Middle East etc.

BACKGROUND OF FOOD AND INNS (P) Ltd

Situated at Chittoor in Andhra Pradesh, the mango belt in India, **FOOD AND INNS Ltd (FIL)** is a 100% Export Oriented Unit (EOU) processing Tropical Fruit Purees, Concentrates and Fresh Fruits **FOOD AND INNS Ltd** was started keeping in mind the local farming community wealth. The farming community is an integral part and forms the backbone of the organization. In its effort to be a forerunner in the chosen areas of business in terms of best practices in quality and technology, **FIL** plans to benefit armors, the industry and the nation in a phased manner.

**FOODS AND INNS Ltd** believes in empowering farmers by providing technical assistance from research institutes in the food industry to support the farmers in achieving better quality and higher yields by developing the gardening and harvesting techniques. Further to educating farmers with latest horticultural techniques, **FOODS AND INNS LTD is** encouraging farmers to mobilize the fruits directly to the factory, thereby minimizing the fruit handling damages and high value realizations. The first phase has been completed, by setting up of state-of-the-art fruit processing plant to produce natural tropical fruit puree and concentrates.

**BORD OF DIRECTORS**

|  |  |  |
| --- | --- | --- |
| **S.No** | **Name of the Director** |  |
|  |  |  |
| 1 | Mr.Utsav Dhupelia | Director |
| 2 | Mr. D.B. Engineer | Solicitor |
| 3 | Mr.Raymond Simkins | Foreign Director |
| 4 | Mr.C.M.Maniar | Solicitor |
| 5 | Mr. D.D. Trivedi | Ex. IIM Professor |
| 6 | Mr. M. B. Dalal | Director |

Mr. Utsav Dhupelia , a Chartered Accountant from U.K., looking after the routine affairs of the company, is the brain and brawl for taking the company’s turnover from Rs.5 crores (USD1.1 MIO) to Rs.70 Crores (USD 16 MIO) giving the status of government recognized EXPORT HOUSE.

With the back up of technical and managerial support staff, the state of art technology implementation, innovative R & D and Lab facilities, the doyen guidance of Mr.Utsav coupled with the contribution of other directors, the company is poised for a steady and continuous growth graph moving upwards in all Para meters.

**PRODUCTS**

**PRODUCTS OF FRUITS**



**ALPHONSO TOTAPURI GUAVA PAPAYA**

**PRODUCTS OF VEGETABLES**



**FRUIT SEASONS**

|  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  | **Jan** | **Feb** | **Mar** | **Apr** | **May** | **June** | **July** | **Aug** | **Sept** | **Oct** | **Nov** | **Dec** |
| **Mango** |  |  |  | off1 | full1 | full1 | full1 | off1 |  |  |  |  |
| **Papaya** | full1 | full1 |  |  |  |  |  |  |  | full1 | full1 |  |
| **Guava** | off1 | full1 | full1 |  |  | off1 |  |  |  |  |  |  |

Market Presence

* European Union
* United States of America
* Canada
* Australia
* Middle East including Iran & North Africa
* Japan & South Korea



**SAHER OF COUNTRIES MARKET**



**FACILITY**

**FOODS AND INNS Ltd processing** facility is located in Chittoor, spread over an area of 15 acres. This place has been earmarked to host Integrated Food Complex of International standards. The facility currently has a tropical fruit Puree / Concentrate processing plant and the pack house for preparing the Fresh Fruits & Vegetables.



**CUTTING EDGE TECHNOLOGY**

**FOODS AND INNS (P) Ltd plant** is equipped with state-of-the-art fruit puree processing aseptic filling line of SIG- Mizzen, Italy to produce natural fruit pulps & concentrates. The plant has one of the India's single largest fruit processing lines -10 TPH ripen fruit processing with Aseptic Packaging.

**INITIATIVES SPAN THE FOLLOWING DISCIPLINES**

* PLC operated equipments for better control over monitoring and operations with supervisory units.
* Two stage washing of fruits to ensure HACCP quality requirement.
* Two-stage sterilization to retain the natural flavor and aroma.
* High speed advanced Mono block aseptic filling machine supplied by SIG Mizzen.
* Integrated Enterprise Resources Planning system is in place to automate business processes and provide data for analysis and reporting, allowing a closer control on quality and operations.



EFFICIENT PLANT LAYOUT

* Minimal drop in power and steam transfer.
* Straight-line process flow design to maintain the hygiene• and control in respective areas.
* Special food grade self-leveling epoxy flooring to maintain optimum hygienic conditions.
* Curved corners and food grade epoxy painted walls to avoid dust accumulation and to facilitate easy washing.
* Advanced high raise insulated roofing with double layer GI Sheeting with air extractors to maintain temperature inside the plant.
* Utility lines are routed outside the plant to keep the interiors free from dust accumulation.



**VALUABLE INDUSTRIAL EXPERTISE**

**FOOD AND INNS (P) Ltd** is backed with strong support and service from its team of highly qualified technical personnel and domain experts with perceptive knowledge and skill. Powered by priceless hands-on experience these professionals are upgrading themselves continuously to identify and introduce improved and innovative product offerings that would delight customers worldwide and comply with the leading global quality standards.

**PUREE & CONCENTRATE FACILITY**

The fruit processing aseptic line is from SIG-Mazzini of Italy. The line has a capacity to process 10 metric tones per hour ripened fruits. The processing line is fully integrated and controlled by PLC.

**PACK HOUSE**

**FOODS AND INNS (P) Ltd has** a set up a Fresh fruit and Vegetable processing facility from Grief, Spain. Fresh fruits including mangoes, bananas are processed along with tropical vegetables like Okra, Egg plant, Lemon, Bitter gourd etc. The facility also holds ripening chambers, pre cooling chambers and cold storage to handle fresh fruits and vegetables.

**VAPOUR HEAT TREATMENT**

To enable Fresh Mango exports to countries like Japan and Korea, **FOOD AND INNS (P)** **Ltd** has commissioned the VHT facility. This ensures irradiation of the fruit flies in the fresh fruit. **FOOD AND INNS (P)** **Ltd** is the first private organization to set up this facility in the country.

**WATER MANAGEMENT**

Water is an essential & precious natural resource. It is a nature’s gift. Without water there is no life on the earth. It is as important to the fruit processing industry as to the living being. But, water is becoming scarce year by year due to increase n its consumption in industries & agriculture sectors & indiscriminate use /wastage by human beings, therefore, it needs a integrated& scientific approach for its management to use it so that undesirable wastage is avoided which helps us to save water for right utilization .

**STAGE OF USE OF WATER TO THE BEST EFFECT IN OUR FACTORY**

Our main source of water is bore wells. The water is potable. Water from all bore wells is collected in a sump. From there it is pumped to over head tank to supply to various locations of use. To manage appropriately & conserve the water, we are taking following steps at various locations of its use:

* **FRUIT WASHING**

The water is re-circulated after filtration up to it becomes dirty. This water is chl0rinated to control the contamination by continuous dosing of chlorine in the washing tub.

* **STEAM GENERATION**

Water for boiler feeding is treated in water softener to reduce the hardness. The steam condensate of evaporator is recycled to boiler to save water & energy as condensate will have high temperature.

**THE BEST EFFECT IN OUR FACTORY**

* Steam condensate from other heating equipments & Vapour condensate from pulp concentration is collected in a tank to use in crate & floor cleaning.
* Floor & equipments are cleaned by compressed water jet to conserve the water.
* Treated effluent is used for civil construction & gardening.
* Flow meters are installed at location of major use to have control over water utilization.
* UV sterilizer is installed on main line of water, which feed to processing to sanitize the water.
* The water to be used for blending in product is treated in r o plant.
* Drinking water is passed through zero-b filter.

**WASTE MANAGEMENT**

Our factory is equipped with aerobic effluent treatment plant of 250 kl capacity. Effluent from all locations of water use is collected through inter connected drains in ET plant. It is aerated here & transferred to settlement tank for sedimentation of solid particles. The treated effluent is sent to oxidation pond. From pond, water is used for gardening & civil construction. The sludge is transferred to drying bed. The dried sludge is used as manure in our garden. The main feature of our company is that no effluent treated or untreated is released in public drains & therefore, does not pose any danger to surrounding environment & public.

**SOLID WASTE MANAGEMENT**

* Seeds of fruits
* Stem ends & skin/peel of fruits & vegetables
* Pumice-consists of fibbers & embedded pulp.
* Spoiled fruits & vegetables

The seeds & peels of good fruits are passed second time through a pulped to remove the remaining pulpy portion. The pulp extracted so & pumice are mixed & given an enzymatic treatment & centrifuge to remove the extraneous materials so that pulp can be used for making concentrate. This helps in improving the recovery out of fruits.

**CERTIFICATIONS OF** INTERNATIONAL QUALITY STANDARDS

FIL's quality and business objectives are designed to challenge the organization through continual improvement and a zeal for results. At FIL quality determines not only the end product but processes and operations at all levels. The company's laboratory is equipped with the latest testing facilities to perform all necessary tests. Frequent & stringent quality checks are carried out for Physical, Chemical, Organoleptic & Microbial parameters and immediate corrective measures are carried out on detection of variance in parameters, assuring a high quality end product. As a mandatory procedure, all finished products are analyzed with extreme care before clearance by FIL's quality assurance staff.

## **OUR CERTIFICATIONS INCLUDE**

* [HACCP (FOOD SAFETY CERTIFICATION) BY TUV, GERMANY](http://www.gallafoods.com/downloads/tuv-certificate.pdf)
* [ISO 9001:2000 (QUALITY MANAGEMENT SYSTEM) BY TUV, GERMANY](http://www.gallafoods.com/downloads/iso9001.pdf)
* [KOSHER BY STAR-K, USA](http://www.gallafoods.com/downloads/star-k-koesher-certificate.pdf)
* [SURE GLOBAL FAIR (SGF)](http://www.gallafoods.com/downloads/sgf-certificate.pdf)
* [HALAL CERTIFICATION](http://www.gallafoods.com/downloads/halal.pdf)

**CUSTOMER FOCUS**

Loyalty and a strong relationship in business are built out of years of experience in a particular industry. **FOODS AND INNS (P) Ltd expertise** in the business and its contacts with Agents\Brokers, Blender-bottlers, End User, Off-shore logistical service providers has made the supply chain process extremely competitive. Given our renewed emphasis on this product line we are strengthening relationships in key markets across the buyer spectrum, understanding unique requirements and delivering value to select global customers.

**REVIEW OF LITERATURE**

**Introduction:**

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**Objective of Cash flow Analysis:**

1. The economic decisions that are taken by users require an evaluation of the ability of an enterprise to generate cash and cash equivalents and the timing and certainty of their generation.
2. It deals with the provision of information about the historical changes in cash and cash equivalents of an enterprise by means of cash flow statement which classifies the flow during the period from operating, investing and financing activities.
3. Information about the cash flows of enterprise is useful in providing users of financial statements with a basis to assets the ability of enterprise to generate cash and cash equivalents and the needs of the enterprise to utilize those cash flows.

**Applications of Cash Flow Analysis:**

1. Predicts future cash flows.
2. Determines the ability to pay dividends and other commitments.
3. Shows the relationship of net income to change in the business cash.
4. Efficiency in the cash management.
5. Discloses movement of cash.
6. Discloses success or failure of cash planning.
7. Evaluate management decisions.
8. Enhances the comparability of reports.

**Limitations of Cash Flow Analysis:**

In spite of various uses of cash flow statement, it has the following limitations:

1. Cash flow statement gives the main of inflow and out flow of cash only and does not show the liquidity position of the company
2. This statement is not a substitute of income statement which shows both cash and non cash items. Therefore net cash flow does not necessary mean net income of the business.
3. It cannot replace funds flow statement as it cannot show the financial position of the concern in totally.

**MOTIVES FOR HOLDING CASH:**

 The firms need to hold cash may be attitude to the following three motives;

1. The transaction motive
2. The precautionary motive
3. The speculative motive
4. The compensation motive

**Transaction Motive:**

 An important reason for maintaining cash balances is the transaction motive. This refers to the holding of cash, to meet routine cash requirements to finance the transactions which a firm carriers on the ordinary course of business. A firm enters into a variety of transactions to accomplish its objectives which have to be paid form in the form of cash. For example, cash payments have to be made for purchases, wages, operating expenses, financial charges like interest, taxes, and so on.

Similarly, there is a regular inflow of cash to the firm from sales operations, returns on outside investments, etc. these receipts and payments constitute a continuous two way flow of cash. But the inflows and outflows do not perfectly coincide or synchronies, that is they do not exactly match. At times, receipts exceed outflows while, at other times, payments exceed inflows. To ensure that firm can meet its obligations when payments becoming due in a situation in which disbursements are in excess of the current receipts, it must have an adequate cash balances.

The requirement of cash balances to meet routine cash needs is known as the transactions motive at such cash balances are termed as transaction balances. Thus, the transaction motive refers to the holding of cash to meet anticipated obligations whose timing is not perfectly synchronized with the cash receipts. If the receipts of cash and its disbursements could exactly coincide in the normal course of operations, a firm would not need cash for transaction purposes. Although a major part of transaction balances are held in cash, a part may also be in such marketable securities whose maturity confirms to the timing of the anticipated payments, such as payment of taxes, dividends, etc.

**Precautionary Motive:**

In addition the non –synchronization of anticipated cash inflows and outflows in the ordinary course of business, a firm may have to pay cash for purposes which cannot be predicted or anticipated. The unexpected cash needs at short notice may be result of;

* Floods, strikes and failure of important customers;
* Bills may be presented for settlement earlier than expected;
* Unexpected slow down in collection of accounts receivable;
* Sharp increase in cost of materials.

The cash balance held in reserve for such random and unforeseen fluctuations in cash flows are called as precautionary balances. In other words, a precautionary motive of holding cash implies the need to hold cash to meet unpredictable obligations. Thus precautionary cash balance serves to provide a cushion to meet unexpected contingencies.

 Another factor which has a bearing in the level of such cash balances is the availability of short term credit. It firm cash borrow at short notice to pay for unforeseen obligations, it will need to maintain relatively small balance and vice-versa. Such cash balances are usually held in the form of marketable securities so that they earn a return.

 **Speculator Motive:**

 It refers to the desire of a firm to make advantage of opportunities which present themselves at unexpected moments and which are typically outside the normal course of business. While the precautionary motive is defensive in nature, in that, firms must take provisions to tide over unexpected contingencies, the speculative motive represents a positive and aggressive approach. Firms aim top exploit profitable opportunities and keep cash in reserve to do so. The speculative motive helps to take in advantage of;

* An opportunity to purchase raw materials at reduced price on payment of immediate cash;
* A chance to speculate to interest rate movements by using securities when interest rates are expected to decline;
* Delay purchase of raw materials on the anticipation of decline in prices; and
* To make purchases at favorable prices.

**Compensative Motive:**

 Another motive to hold cash balances is to compensate banks for providing certain services and loans.

 Banks provide a variety of services to business firms, such as clearance of Cheque, supply of credit information, transfer of funds, etc. While for some of the services banks charge a commission or fee, for others a seek indirect compensation. Usually, clients are required to maintain a minimum balance of cash at the bank. Since this balance cannot be utilized by the firm to earn a return. To be compensated for their services indirectly in this firm, they require the clients to always keep a bank balances sufficient to earn a return equal to the cost of services. Such balances are compensating balances.

**PREPERATION OF CASH FLOW STATEMENT:**

 An organization should prepare a cash flow statement according to accounting standard -3. The following basic information is required for preparation of cash flow statement:

1. Comparative balance sheets.
2. Profit and loss account.
3. Additional data.

This statement is prepared in three stages as given below

* Net profit before taxation and extraordinary items
* Cash flow from operating, investing, and financing activities Cash flow statement

Changes in fixed assets and fixed liabilities have not been adjusted as these are shown separately in the cash flow statement. It is so because current assets and current liabilities are directly related to operations. Cash paid is deducted from cash generated from operations in order to get the figure of cash flow before extraordinary items in order to get the figure of cash provided by or using from operating activities.

**SPECIAL ITEMS:**

In addition to the general classification of three types of cash flows accounting standard-3 for the treatment of cash flows of certain so cialitema sunder;

 Foreign currency cash flows.

1. Extraordinary items
2. Interest and dividends.
3. Taxes on income.
4. Investments in subsidiaries, associates and joint ventures.
5. Acquisitions and disposal of subsidiaries and other business units.
6. Non cash transactions.
* The acquisition of assets by assuming directly related liabilities
* The acquisition of an enterprise by means of issue of shares and
* The conversion of debt to equity.

So cash flow analysis reveals the various items of inflow and outflow of cash. It is an essential tool for short term financial analysis and is very helpful in the evaluation of current liability of a business concern. It helps the business executives of a business in the efficient cash management and internal financial management.

**OBJECTIVES OF CASH FLOW STATEMENT:**

Information about the cash flows of an enterprise is useful in providing users of financial statement with a basis to assess the ability of the enterprise to generate cash and cash equivalents and the needs of the enterprises to utilize those cash flows.

The statement deals with the provision of information about the historical changes in cash and cash equivalents of an enterprise by means of a cash flow statement which classified cash flows during the period from operating, investing and financing activities.

**CLASSIFICATION OF CASH FLOWS**

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 into three main categories.

**1. CASH FLOWS FROM OPERATING ACTIVITIES**

Cash flows from operating activities are primarily derived from the principal revenue-producing activities of the enterprise.

**Examples:**

* Cash receipt from the sale of goods and the rendering of service.
* Cash payments to suppliers of goods and services.

**PROFORMA OF CASH FROM OPERATIONS**

|  |  |  |
| --- | --- | --- |
| **PARTICULARS** |  **Rs.** |  **Rs.** |
| Profit from trading operations (Net profit) (A) **Add: Non-operating expenses and losses** Good will written off Depreciation on plant Loss on sale of plant Preliminary expenses written off  Transfer to general reserve Proposed dividends Payment of dividendsTotal of Non-operating expenses and losses (B)**Less: Non-operating incomes and gains** Dividends on investments Profit on sale of plant etc. (C)   A+B-C) (D)   Add: 1. Decrease in current assets (Except cash in hand/bank) 2. Increase in current liabilitiesLess: 1. Decrease in current liabilities 2. increase in current assets (Except cash in hand and at bank) **Cash from operations** |   Xxxxxxx Xxxxxxx Xxxxxxx Xxxxxxx Xxxxxxx  Xxxxxxx xxxxxxx  Xxxxxxx  xxxxxxx xxxxxxx |  xxxxxxx  Xxxxxxx xxxxxxx   xxxxxxx  xxxxxxx  xxxxxxx xxxxxxxxxxxxxx xxxxxxx xxxxxxx |

**2. CASH FLOWS FROM INVESTING ACTIVITIES**

Investing activities are the acquisition and disposal of long-term assets and other investments not include in cash equivalents.

**Examples:**

* Cash payments to acquire fixed assets
* Cash receipts from disposal of fixed assets
* Cash payments to acquire shares, warrants, or debt instruments of other enterprises and interests in joint ventures.
* Cash receipts from disposal of shares, warrants or debt instruments of other enterprise and interest in joint ventures.
* Cash advances and loans made to third parties
* Cash receipts from the repayment of advances and loans made to third parties

**3. CASH FLOWS FROM FINANCING ACTIVITIES**

Financing activities are activities that result in changes in the size and composition of the owner’s capital.

**Examples:**

* Cash proceeds from issuing shares or other similar instruments.
* Cash proceeds from issuing debentures, loans, notes, bonds and other short-or long-term borrowings and
* Cash repayments of amounts borrowed such as redemption of debentures, bonds and preference shares.

**PROCEDURE FOR PREPARING A CASH FLOW STATEMENT**

Cash flow statement is not substitute of profit and loss account ( income statement) and balance sheet. It provides additional information and explains the reasons for changes in cash and cash equivalents, derived from financial statement at two points of time. The procedure for preparing a cash flow statement is different from the procedure followed in respect of profit and loss account and balance sheet.

It is prepared with the help of financial statements. The basic information required for the preparation of cash flow statement is obtained from the following three sources.

1. Comparative balance sheets at two points of time. I.e. in the beginning and at end of the accounting period.
2. Income statement of the current accounting period or the profit and loss account.
3. Some selected additional data to extract the hidden transactions.

The preparation of a cash flow statement involves the following steps.

**STEP 1**

Compute the net increases or decreases in cash and cash equivalents by making a comparison of these accounts given in the comparative balance sheets.

**STEP 2**

Calculate the net cash flow provided (used in) operating activities by analyzing the profit and loss account, balance sheet and additional information.

There are two methods of converting net income into net cash flows from operating activities: The direct method and indirect method.

**STEP 3**

Calculate the net cash flow from investing activities.

**STEP 4**

Calculate the net cash flow from financing activities.

**STEP 5**

Prepare a formal cash flow statement highlighting the net cash flow from operating, investing and financing activities separately.

**STEP 6**

Make an aggregate of net cash flows from the three activities ensure that the total net cash flow is equal to the net increase or decrease in cash and cash equivalents as computed in step1.

**STEP 7**

Report significant non-cash transactions that did not involve cash or cash equivalents in a separate schedule to the cash flow statement.

**Example**

Purchase of machinery against issue of share capital or redemption of debentures in exchange for share capital.

**USES OF CASH FLOW STATREMENT**

A cash flow statement is of vital imp to the financial management. It is an essential tool of financial analysis for short-term planning.

1. Helps in efficient cash management
2. Helps in internal financial management
3. Discloses the movements of cash
4. Discloses success or failure of cash planning

**Limitations of cash flow statement:**

Despite a number of uses cash flow statements suffers from the following limitations.

1. As cash flow statement is based on cash basis of accounting, it ignores the basic accounting concept of accrual basis.
2. Some people feel that as worming capital is a wide concept of funds, a funds flow statement provides a more complete picture than cash flow statement.
3. Cash flow statement is not suitable for judging the profitability of a firm as non-cash charge are ignored while calculating cash flows from operating activity

**RESEARCH METHODOLOGGY**

**SOURCES OF DATA :**

The data is collected in two ways.

* primary data
* secondary data

**1.PRIMARY DATA**

The required data for this study would be collected through the only from secondary data

**2. SECONDARY DATA**

The information was collected from the financial statement (i.e; balance sheet & profit & loss account) internet, journals & news papers

**OBJECTIVES OF THE STUDY:**

* To evaluate the cash position of a FOODS AND INNS LTD company.
* To analyze cash inflows and outflows in terms of operating, investing and financing activities.
* To know liquidity position of a FOODS AND INNS LTD company.

**STATEMENT OF THE PROBLEM:**

A financial statement contains income statement showing sales, revenues, tax expenses etc. On the other side; the balance sheet shows the liabilities and assets position during the year.

* Analysis of the liquidity and between current liabilities and assets.
* Analysis of the liquidity and profitability of the current assets and current liabilities.
* Analysis of the long term financial of the firm over a period of time.
* Analysis of various components of working capital

**NEED FOR THE STUDY:**

* To study the cash position of the business.
* To study the solvency of the business [ shorter].
* To study the liquidity of the business.
* To study the maintenance of cash inflows and cash out flows.
* To study the cash flow from operating ,investing, financing activities

**SCOPE OF THE STUDY:**

* Information about the cash flows of an enterprise is useful in providing users of financial statement with a basis to assess the ability of the enterprise to generate cash and cash equivalents and the needs of the enterprises to utilize those cash flows.
* The statement deals with the provision of information about the historical changes in cash and cash equivalents of an enterprise by means of a cash flow statement which classified cash flows during the period from operating, investing and financing activities.

**LIMITATIONS OF THE STUDY:**

* The period of study is limited.
* The source of data based on annual reports only.
* The analysis done only for a period of five years i.e 2008 to 2012.

**DATA ANALYSIS & INTERPRETATION**

 **Cash from operation for the year ended september31st 2008 (Rs in lakhs)**

|  |  |  |
| --- | --- | --- |
| **PARTICULARS** Profit from trading operations (Net Profit) (A)Add: **Non-operating expenses and losses** Depreciation Total of Non operating expenses and losses(B)(A+B) Total**Add: 1.Decrease in current assets** **2.Increase in current liabilities** (Except cash in hand and bank)Current liabilitiesProvisions**Less: 1.Decrease in current liabilities** **2. Increase in current assets**(Except cash in hand and bank)InventoriesLoans & advancesSundry debtors**Cash from operation** | **AMOUNT****RS**76.73**-**305.94 15.98439.04121.723230.315 | **AMOUNT****RS**238.5376.73315.267321.92637.187791.087-153.886 |

**Cash flow statement for the year ended September 31st 2008 (Rs in lakhs)**

|  |  |  |  |
| --- | --- | --- | --- |
| **Inflow** | **Amount****Rs.** | **Outflow** | **Amount****Rs.** |
| Opening balance**Increasing long term liability:**Receipts of secured loansReceipts of un-secured loansDeferred Tax liability**Decreasing fixed assets:** | 231.39589.6138.6519.87**Nill**879.53 | Cash loss from operation**Decreasing long term****Liability:** **Increasing fixed assets:**Investment Purchasing of fixed assetsCapital work-in-progressClosing cash balance | 1538.77 **Nil**9.45433.2625.83257.10 879.53 |

**INTERPRETATION:**

 During the year 2007-08 identified that cash loss from operations, the major cash inflows are receipts of secured loans and deferred tax liability. The major cash outflows are purchasing fixed assets and investment.

**Cash from operation for the year ended september31st 2009 (Rs in lakhs)**

|  |  |  |
| --- | --- | --- |
| **PARTICULARS** Profit from trading operations (Net Profit) (A)Add: **Non-operating expenses and losses** DepreciationTotal of Non operating expenses and losses(B)(A+B) Total**Add: 1.Decrease in current assets** **2.Increase in current liabilities** (Except cash in hand and bank)Current liabilities  **Less: 1.Decrease in current liabilities**provisions **2. Increase in current assets**(Except cash in hand and bank)InventoriesSundry debtorsLoans & advances**Cash from operation** | **AMOUNT****RS**233.37938.03563.172105.8291727.202684.44 | **AMOUNT****RS**183.125 233.27416.395938.0351354.43 4580.64-3226.211 |

**Cash flow statement for the year ended March 31st 2009 (Rs in lakhs)**

|  |  |  |  |
| --- | --- | --- | --- |
| **Inflow** | **Amount****Rs.** | **Outflow** | **Amount****Rs.** |
| Opening balance**Increasing long term liability:**Receipts of secured loansReceipts of un-secured loansDeferred Tax liability**Decreasing fixed assets:**Investment |  257.10 5466.72755.25214.050.4186693.538 |  Cash loss from operation**Decreasing long term****Liability:** **Increasing fixed assets:**Purchasing of fixed assetsCapital work-in-progressClosing cash balance | 3226.21 **Nill**1979.51870.74617.086693.538 |

**INTERPRETATION:**

During the year 2008-09 identified that cash loss from operations, the major cash inflows are receipts of secured loans, receipts of un-secured loans r deferred tax liability. The major cash out flows are cash loss from operations, purchasing of fixed assets.

**Cash from operation for the year ended september31st 2010 (Rs in lakhs)**

|  |  |  |
| --- | --- | --- |
| **PARTICULARS** Profit from trading operations (Net Profit) (A)Add: **Non-operating expenses and losses** DepreciationTotal of Non operating expenses and losses(B)(A+B) Total**Add: 1.Decrease in current assets**Sundry debtors **2.Increase in current liabilities** (Except cash in hand and bank)Current liabilitiesProvisions**Less: 1.Decrease in current liabilities** **2. Increase in current assets**(Except cash in hand and bank)InventoriesLoans & advances **Cash from operation** | **AMOUNT****RS**326.88927.661998.9343.40 -4244.05151.36  | **AMOUNT****RS**587.69326.88914.572969.993884.564395.41-510.85  |

**Cash flow statement for the year ended September 31st 2010 (Rs in lakhs)**

|  |  |  |  |
| --- | --- | --- | --- |
| **Inflow** | **Amount****Rs.** | **Outflow** | **Amount****Rs.** |
| Opening balance**Increasing long term liability:**Preferential shares Receipts of secured loansReceipts of un-secured loans**Decreasing fixed assets:**Capital work-in-progressInvestment  | 617.08 86.701474.25150.44 226.802.822558.1 | Cash loss from operation**Decreasing long term****Liability:** Deferred Tax liability**Increasing fixed assets:**Purchasing of fixed assetsClosing cash balance | 510.84 1.51563.59482.17 2558.1 |

**INTERPRETATION:**

 During the year 2009-10 identified that cash loss from operations, the major cash inflows are receipts of secured loans, capital work-in-progress. The major cash out flows are cash loss from operations, purchasing of fixed assets.

**Cash from operation for the year ended semtember31st 2011 (Rs in lakhs)**

|  |  |  |
| --- | --- | --- |
| **PARTICULARS** Profit from trading operations (Net Profit) (A)Add: **Non-operating expenses and losses** Depreciation Total of Non operating expenses and losses(B)(A+B) Total**Add: 1.Decrease in current assets** **2.Increase in current liabilities** (Except cash in hand and bank)Current liabilities**Less: 1.Decrease in current liabilities**Provisions **2. Increase in current assets**(Except cash in hand and bank)InventoriesSundry debtorsLoans&advances **Cash from operation** | **AMOUNT****RS**424.59- 6536.4420.138405.01645.40516.94 | **AMOUNT****RS**276.36424.59700.956536.44 7237.39 9587.48-2350.09 |

**Cash flow statement for the year ended September 31st 2011 (Rs in lakhs)**

|  |  |  |  |
| --- | --- | --- | --- |
| **Inflow** | **Amount****Rs.** | **Outflow** | **Amount****Rs.** |
| Opening balance**Increasing long term liability:**Equity share capitalReceipts of secured loansReceipts of un-secured loansDeferred Tax liability**Decreasing fixed assets:**Capital work-in-progress | 482.17  10.301957.991408.73 106.59 271.694237.47 | Loss of cash from operation**Decreasing long term****Liability:** Redemption of preferential shares**Increasing fixed assets:**Purchasing of fixed assetsClosing cash balance | 2350.10 39.651207.72640.004237.47 |

**INTERPRETATION:**

 During the year 2010-11 identified that cash loss from operations. The major cash inflows are receipts of secured loans, receipts of un-secured loans and capital work-in-progress, the major cash out flows are purchasing of fixed assets.

**Cash from operation for the year ended March31st 2012 (Rs in lakhs)**

|  |  |  |
| --- | --- | --- |
| **PARTICULARS** Profit from trading operations (Net Profit) (A)Add: **Non-operating expenses and losses** DepreciationTotal of Non operating expenses and losses(B)(A+B) Total**Add: 1.Decrease in current assets**Inventories **2.Increase in current liabilities** (Except cash in hand and bank)Provisions **Less: 1.Decrease in current liabilities**Current liabilities **2. Increase in current assets**(Except cash in hand and bank) Sundry debtorsLoans & advances **Cash from operation** | **AMOUNT****RS**591.5612606.411.598416.35348.52519.10 | **AMOUNT****RS**-219.29591.56372.271260812980.28 9283.973696.29 |

**Cash flow statement for the year ended March 31st 2012 (Rs in lakhs)**

|  |  |  |  |
| --- | --- | --- | --- |
| **Inflow** | **Amount****Rs.** | **Outflow** | **Amount****Rs.** |
| Opening balanceCash from operation**Increasing long term liability:**Receipts of secured loansShare capital **Decreasing fixed assets:** | 640.00 3696.2990.2512.22**Nill**4438.78 | **Decreasing long term****Liability:** Redemption of preferential sharesPayment of unsecured loansDeferred Tax liability**Increasing fixed assets:**Purchasing of fixed assetsCapital work-in-progressClosing cash balance |  47.051864.0239.2 1541.98330.11616.394438.78 |

**INTERPRETATION:**

 During the year 2011-12 identified that cash from operations. The major cash inflows are cash from operation, receipts of secured loans, the major cash out flows are payment of unsecured loans, purchasing of fixed assets.

**COMPARATIVE STATEMENT OF CASH FROM OPERATIONS DURING 2008-09 TO 2011-12**

|  |  |
| --- | --- |
| **Years**  | **Cash from operation** |
| 2007-08 | -153.9 |
| 2008-09 | -3226 |
| 2009-10 | -510.9 |
| 2010-11 | -2350 |
| 2011-12 | 3696.29 |

**INTERPRETATION:**

During the period 2008-09 to 2010-11 the comparison of cash loss from operation. 2011-12 the comparison of cash from operation. In the year 2011-12 it is showing increasing.

**FINDINGS**

* During the study period the major cash in flows are secured loans, unsecured loans, deferred tax liability.
* The cash out flows are cash loss from operations, capital work-in-progress & purchase of fixed assets.
* The FOODS AND INNS LTD is in is loss in first four years in last year to gain the profit.

**SUGGESSIONS**

* Concentrate on investment in fixed assets in order to enhance the profitability of the firm
* The firm should reduce operating cost to enhance cash from operations

**CONCLUSION**

I here by concluded that the cash flow performance of the **FOODS AND INNS LIMITED.**

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