

CHAPTER 4

EXISTING SYSTEM OF INFORMATION AND REPORTING TO MANAGEMENT

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CHAPTER 4
EXISTING SYSTEM OF INFORMATION AND
REPORTING TO MANAGEMENT

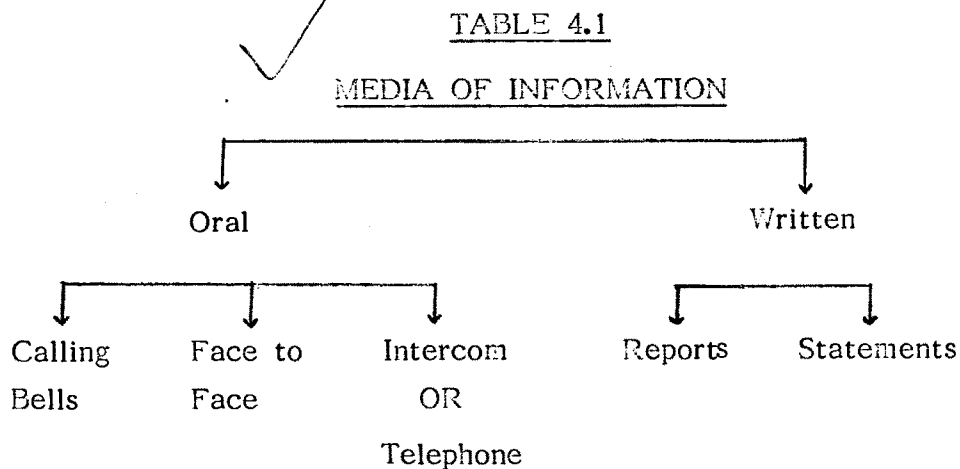
4.1 EXISTING SYSTEM :-

Existing system involves the system of information and reporting to the management which is in operation. The existing system can be classified under three different heads such as :-

- A) Media of information,
- B) System of information, and
- C) Reporting.

A) Media of information :-

Table 4.1 indicates the means used in the company for transmission of information.



Source :- Inquiry Schedules.

Calling bells are used to call the office boys (Peons) for sending messages to others, for calling required personnel, or to send

some documents to others. The calling bells are limited and are made available only to the top management and to some of the departmental heads.

All the departments are connected with one another with the help of intercom and telephones. Therefore, the intercom or if it is not useful then the telephone can be used for transmission of information.

The important matters are transmitted only with the help of face to face discussion method. This is the best policy of the management. In case of written communication mostly reports and statements are used. Graphic presentation of information is neglected.

B) System of information :-

System indicates the way or procedure of transmitting information. Table 4.2 indicates present system of information and reporting to management.

In case of functional system every departmental heads use to get the required information from their subordinates and submit the same to the Director or General Manager whenever called upon, either orally or in writing.

In case of integrated system of information a weekly meeting of the Director and General Manager alongwith all the departmental heads is called upon on every Friday. This meeting is known as "Executive Meeting". In this meeting the performance of every department is evaluated, problems are solved and future actions are planned.

Board of Directors use to meet on every Saturday. This Board meeting is held only for four time in a month. In this meeting the

performance of the entire factory as a whole is evaluated, long range policies are made and the decisions relating to the objectives of the business are taken.

C) Reporting :-

Reporting is done on the same basis as mentioned above i.e. receiving the information from the subordinates and submitting the same to the superiors. Table 4.3 indicates how reporting is done in THE KOLHAPUR STEEL LTD., KOLHAPUR.

But as mentioned in scope and limitations of the study the details are given regarding the system of reporting in respect of financial control of working capital.

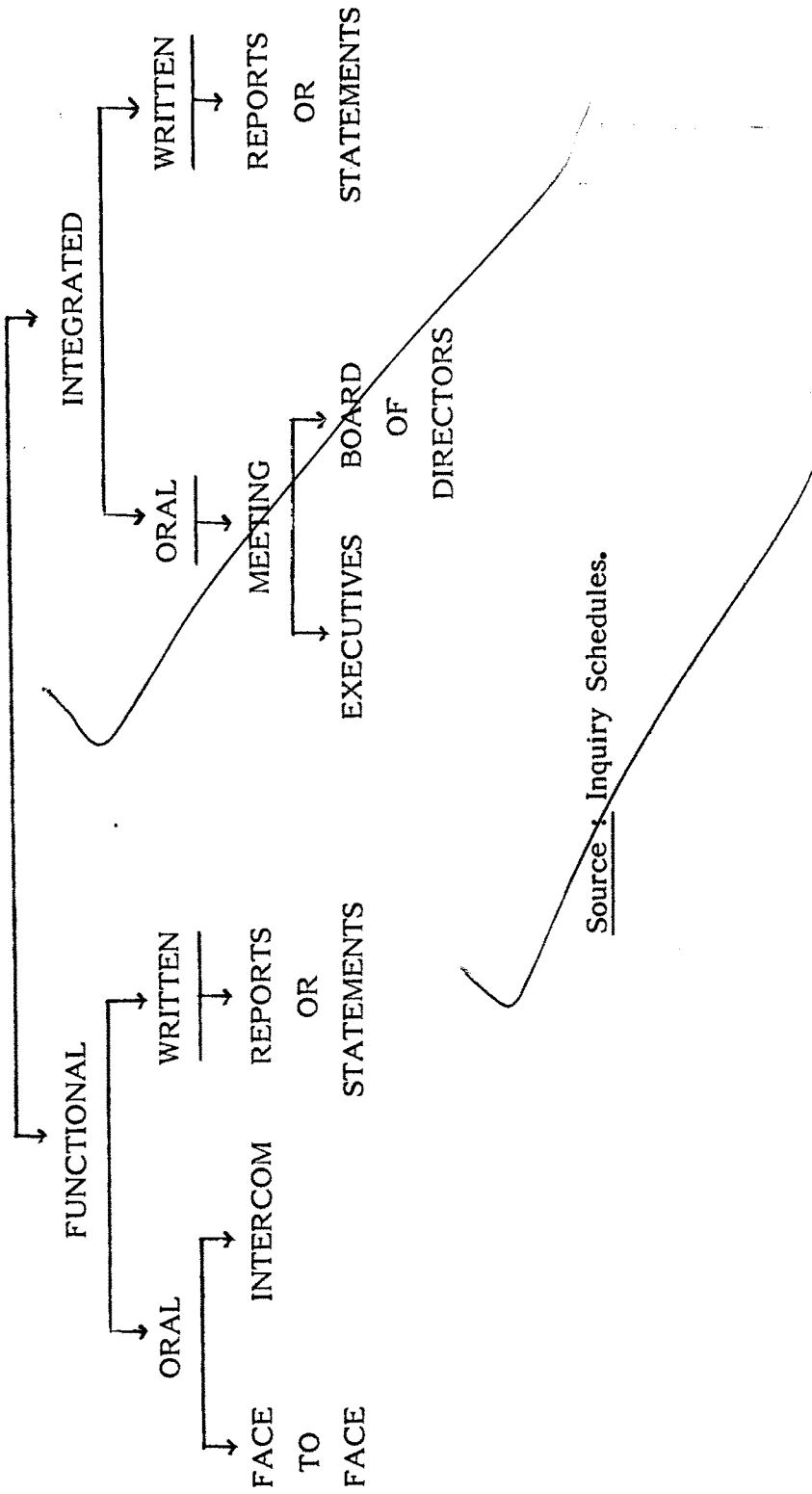
There is no financial controller in the company. The finance functions are performed by the Accounts Officer. Very recently he has been promoted as a Dy. Manager (Finance).

Table 4.3 indicates that head of the Accounts department i.e. Dy. Manager (Finance) reports to the Board of Directors, Director & General Manager. As shown in table 4.3 his reports include financial as well as costing reports. Some of the reports are daily, some are weekly, monthly and quarterly. The blank forms of these reports are shown in the next part of this chapter.

As a part of control techniques the internal auditor directly reports to the top management. This is the best policy of the company. His report includes comments on the operations of the company, as well as ratio analysis on the interium financial accounts.

T A B L E 4.2

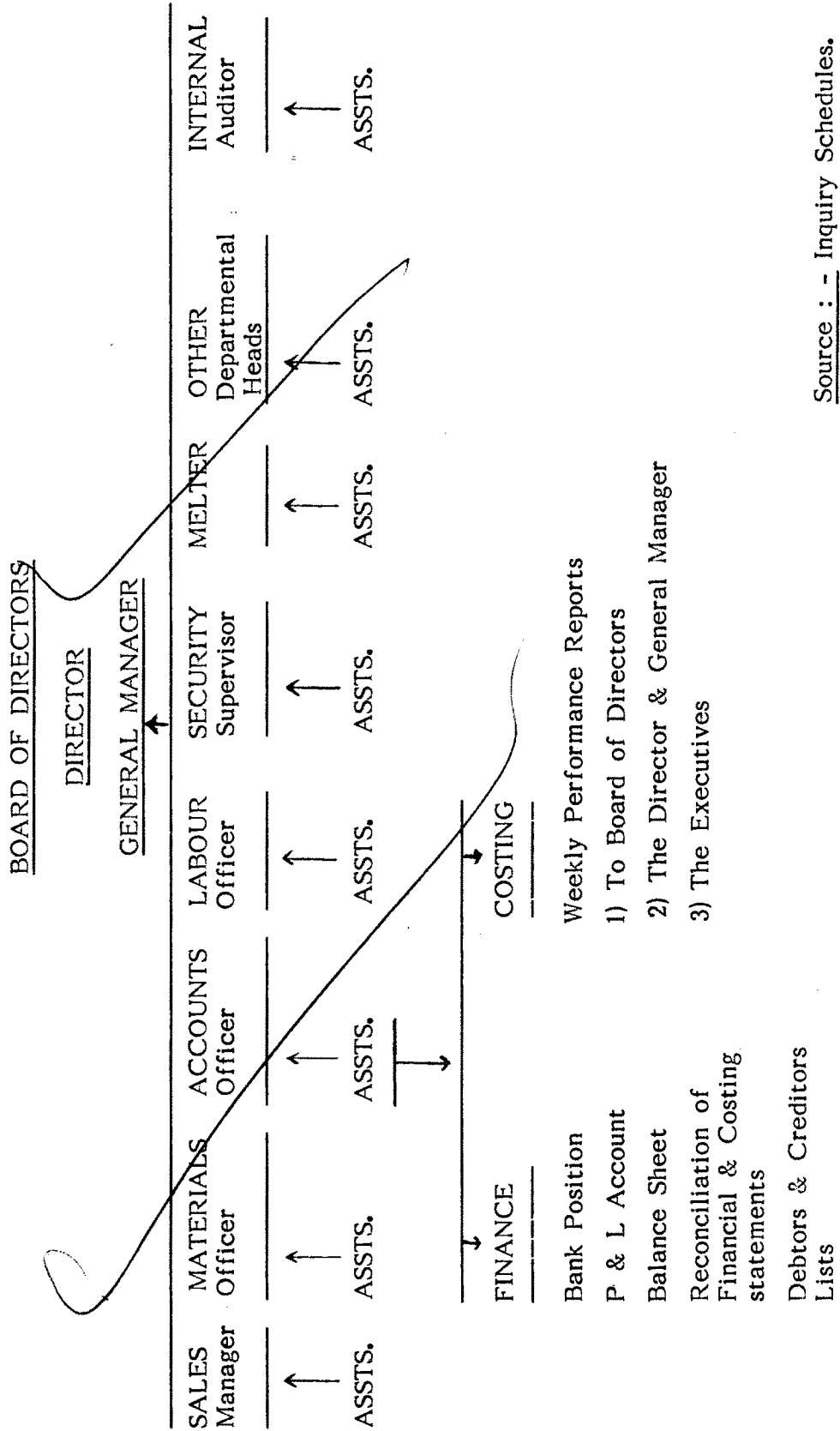
INFORMATION SYSTEM



Source - Inquiry Schedules.

TABLE 4.3

REPORTING



Source : - Inquiry Schedules.

4.2 COLLECTION OF DIFFERENT DOCUMENTS USED IN THE EXISTING SYSTEM :-

4.2.1 Role of documents :-

In any business documentation or recording is a must. Verifiable objective evidence concept of accounting also makes it necessary that all accounting transactions should be evidenced and supported by business documents.

It is said that " men may come and men may go but the company goes on forever ". This means from the going concern concept of accounting documents play a very important role in business. The new comer will immediately familiarise with the present position and the progress of the company only after going through the records and documents.

Therefore, documents are very important as they are the mirrors of business operations.

4.2.2 Collection of documents:-

Only the selected documents are collected. The documents, which provide information to the management in respect of financial control aspect of working capital are considered.

LIST OF DOCUMENTS/BLANK FORMS :-

1. Daily bank position.
2. Weekly performance report.
 - i) Report for Board of Directors.
 - ii) Report for the Director & for General Manager.
 - iii) Reports for Executives.
3. Profit & Loss Account.
4. Balance Sheet.
5. Ratio Analysis.
6. Reconciliation Statement of Financial and Costing profitability.
7. Debtors List.
8. Creditors List.

DAILY BANK POSITION AT THE CLOSE OF

| S.NO. | NAME OF THE BANK | OPENING BALANCE | | CHEQUES DEPOSITED | | AMOUNT | | CHEQUES DRAWN | | AMOUNT | | CLOSING BALANCE | | REMARKS |
|-------|------------------|-----------------|-----|-------------------|-----|--------|-----|---------------|-------------|--------|-----|-----------------|-----|---------|
| | | RS. | PS. | PARTICULARS | RS. | PS. | RS. | PS. | PARTICULARS | RS. | PS. | RS. | PS. | |
| | | | | | | | | | | | | | | |

THE KOLHAPUR STEEL LIMITED, SIROLI (PULACHI) DATE : 1987
 PERFORMANCE REPORT FOR THE WEEK NO FROM TO MT @ CASTINGS MT @
 INGOTS

Figures in lacs

| WEEKLY | | CUMULATIVE | | REMARKS | |
|----------------------|----------------------|---------------------------|--------|---------|--|
| BUDGETED EXPENSES | ACTUAL EXPENSES | VARIANCES (+FAV & -UNFAV) | AMOUNT | % | |
| CASTING INGOTS TOTAL | CASTING INGOTS TOTAL | CASTING INGOTS TOTAL | | | |

S/VALUE PROD
 LESS REJ.
 PROD VALUE

RAW/MATERIALS
 S/S FURNACE
 MOULDING
 FINISHING
 POWER VAR.
 TOTAL CONSUM.
 CONTRIBUTION
 FIXED COST
 POWER
 EMPLOYMENT
 ADM & SALES
 FINANCE
 DEPRECIATION
 FIX/TOTAL
 SURPLUS
 OTHERS

FINANCE DATA

| 1 CREDITORS | OPENING | PURCHASE | TOTAL | PAYMENT | CASH FLOW |
|-------------|---------|----------|-------|----------|-----------|
| a) SCRAP | | | | | BALANCE |
| b) OTHERS | | | | | |
| DEBTORS | OPENING | SALES | TOTAL | RECOVERY | BALANCE |
| a) CASTINGS | | | | | |
| b) INGOTS | | | | | |

SALES DATA

| TOTAL ORDERS | OPEN FOR PROD | SAMPLE | WAITING FOR | OTHERS |
|--------------|---------------|--------|-------------|--------|
| | | | | |

CASTINGS- MT
 INGOTS - MT

INVENTORY DATA

| STORES & SPARE | WIP | FINISHED GOODS | TOTAL |
|----------------|-----|----------------|-------|
| | | | |

VALUE

CONSUMPTION VARIANCES (A ITEMS ONLY)

← LESS=FAVOURABLE
 → MORE=UN FAVOURABLE

| PARTICULARS | UNIT | QUANTITY | | VAR | STD RATE | VALUE A/RATES | RATE VARN | REMARKS | | | | |
|------------------------|------------|--------------|-------------|----------------|-------------|---------------|-----------|---------|---------------|------------|-----------|---------|
| | | REQUIRED | ACTUALS | | | | | | | | | |
| I RAW MATERIAL | | | | | | | | | | | | |
| HEAVY (LOCAL) | MT | | | | | | | | | | | |
| IMPTD | MT | | | | | | | | | | | |
| P. JAM | MT | | | | | | | | | | | |
| COMRCL | MT | | | | | | | | | | | |
| P. BNDS | MT | | | | | | | | | | | |
| L. BNDS | MT | | | | | | | | | | | |
| FDR RTNS | MT | | | | | | | | | | | |
| TOTAL | MT | | | | | | | | | | | |
| II FURNACE | | | | | | | | | | | | |
| GRPH EL RODS | KG | | | | | | | | | | | |
| FE/SI | KG | | | | | | | | | | | |
| FE/MN | KG | | | | | | | | | | | |
| FC/OIL | LTR | | | | | | | | | | | |
| III MOULDINGS:- | | | | | | | | | | | | |
| SI SAND | MT | | | | | | | | | | | |
| SDD SLTE | KG | | | | | | | | | | | |
| BENT PWDR | KG | | | | | | | | | | | |
| VEL DEXT | KG | | | | | | | | | | | |
| CO2 GAS | KG | | | | | | | | | | | |
| MOLD PNTS | KG | | | | | | | | | | | |
| IV FINISHING :- | | | | | | | | | | | | |
| FC OIL | LTR | | | | | | | | | | | |
| OXY GAS | LTR | | | | | | | | | | | |
| V POWER UNITS | | | | | | | | | | | | |
| GRAND TOTAL | | | | | | | | | | | | |
| HEAT NO | L.M. PRODN | LM PER HEATS | L.M. POURED | L.M. BK TO F/C | HEAT LOSSES | HEAT | PRODN | YIELD | REJECTION INT | SALES RATE | MAN POWER | REASONS |
| | | MT | MT | MT | % | MT | MTS | % | % | KGS | HRS. | |
| | | | | | | | | | | | PER MT | LM |
| CAST BUG ACT | | | | | | | | | | | | |
| INGS BUG ACT | | | | | | | | | | | | |
| T/BUG T/ACT | | | | | | | | | | | | |

THE KOLHAPUR STEEL LIMITED, SHIROLI (PULACHI), KOLHAPUR 416 122

WEEKLY PERFORMANCE REPORT FOR THE WEEK NO. :

PERIOD :

TO

| PARTICULARS | UNIT | BUDGET | ACTUALS | AVERAGE | |
|---------------------------------------|----------|--------------|---------|---------------|---|
| 1) PRODUCTION : | | | | | |
| a) LIQUID METAL | M.T. | | | | |
| b) CASTINGS | M.T. | | | | |
| c) INGOTS | M.T. | | | | |
| d) MOULDING | M.T. | | | | |
| e) FINISHING | M.T. | | | | |
| 2) CONSUMPTION/M.T.L.M. | | | | | |
| a) SCRAP | RS. | | | | |
| b) FERRO SILICON | KGS. | | | | |
| c) FERRO MANGANESE | KGS. | | | | |
| d) POWER | UNIT | | | | |
| 3) DESPATCHES | | | | | |
| a) CASTINGS | M.T. | | | | |
| b) INGOTS | M.T. | | | | |
| 4) ORDER BOOKING | | | | | |
| | M.T. | | | | |
| 5) RECOVERY - | | | | | |
| a) CASTINGS | RS. | | | | |
| b) INGOTS | RS. | | | | |
| 6) PAYMENTS | | | | | |
| | RS. | | | | |
| 7) REJECTIONS - | | | | | |
| a) INTERNAL - C | % | | | | |
| b) EXTERNAL - C | % | | | | |
| c) EXTERNAL - I | % | | | | |
| 8) PATTERN SALE | | | | | |
| | RS. | | | | |
| 9) OVERTIME | | | | | |
| | HRS. | | | | |
| 10) | | | | | |
| OVERTIME : | FURNACE | + MOULDING | + OTHER | + MAINTENANCE | + |
| | FETTLING | + ELECTRICAL | = TOTAL | HRS. | |
| ORDER IN HAND : OPEN FOR PRODUCTION : | | M. T. | | | |

THE KOLHAPUR STEEL LIMITED, SHIROLI (PULACHI), KOLHAPUR 416 122.

WEEKLY PERFORMANCE REPORT FOR CASTINGS FOR THE WEEK NO. : PERIOD TO AVERAGE

- 1) FURNACE :
- a) NO. OF HEATS NO.
 - b) L.M. PRODUCTION MT.
 - c) L.M. PER HEAT MT.
 - d) L.M.BACK TO F/c etc MT.

- 2) CONSUMPTION/M.T.L.M.
- a) SCRAP RS.
 - b) GRAPHITE RODS KG.
 - c) FERRO SILICON KG.
 - d) FERRO MANGANESE KG.
 - e) FURNACE OIL LTR.

- 3) MOULDING :
- a) MOULDING QUANTITY MT.

- 4) CONSUMPTION/M.T.
- a) SILICA SAND MT.
 - b) CO 2 KG.
 - c) MOULD PAINT KG.

- 5) FINISHING :
- a) FINISHING QUANTITY MT.

- 6) CONSUMPTION/M.T.
- a) FURNACE OIL LTR.
 - (ANNEALING MT)
 - b) OXYGEN GAS Cum.

WEEKLY PERFORMANCE REPORT FOR INGOTS FOR THE WEEK NO. : PERIOD TO

- 1) FURNACE :
- a) NO. OF HEATS NO.
 - b) L.M. PRODUCTION MT.
 - c) L.M. PER HEAT MT.
 - d) L.M.BACK TO F/c etc MT.

- 2) CONSUMPTION/M.T.L.M.
- a) SCRAP RS.
 - b) GRAPHITE RODS KG.
 - c) FERRO SILICON KG.
 - d) FERRO MANGANESE KG.
 - e) FURNACE OIL LTR.

THE KOLHAPUR STEEL LIMITED, SHIROLI (PULACHI), KOLHAPUR 416122

PROFIT & LOSS ACCOUNT FOR THE PERIOD :

| | SCHEDULE | AMOUNT | % |
|--|----------|--------|-------|
| <u>INCOME :</u> | | | |
| SALES | | _____ | _____ |
| OTHER INCOME | | _____ | _____ |
| INCREASE/DECREASE IN STOCKS | | _____ | _____ |
| <u>EXPENDITURE :</u> | | | |
| CONSUMPTION OF RAW MATERIAL | | _____ | _____ |
| CONSUMPTION OF STORES | | _____ | _____ |
| POWER AND FUEL | | _____ | _____ |
| OUTSIDE LABOUR CHARGES | | _____ | _____ |
| PAYMENTS TO AND PROVISIONS FOR EMPLOYEES | | _____ | _____ |
| OTHER EXPENSES | | _____ | _____ |
| INTEREST | | _____ | _____ |
| INVESTMENT ALLOWANCE RESERVE | | _____ | _____ |
| DEPRECIATION | | _____ | _____ |
| PROFIT : BEFORE TAX | | _____ | _____ |

THE KOLHAPUR STEEL LIMITED, SHIROLI (PULACHI), KOLHAPUR 416122

BALANCE SHEET AS AT

| | SCHEDULE | 1986 AMOUNT | 1985 AMOUNT |
|--|-----------|----------------|----------------|
| <u>SOURCES OF FUNDS :</u> | | | |
| SHAREHOLDERS' FUNDS : | | | |
| CAPITAL | | _____ | _____ |
| RESERVE AND SURPLUS | | _____ | _____ |
| <u>LOANS FUNDS :</u> | | | |
| SECURED LOANS | | _____ | _____ |
| UNSECURED LOANS | | _____ | _____ |
| <u>APPLICATION OF FUNDS :</u> | | | |
| FIXED ASSETS : | | | |
| GROSS BLOCK (AT COST) | | _____ | _____ |
| LESS : DEPRECIATION | | _____ | _____ |
| CAPITAL EXPENDITURE IN PROGRESS | | _____ | _____ |
| INVESTMENTS (AT COST) | | _____ | _____ |
| CURRENT ASSETS : | | | |
| LOANS AND ADVANCES : | | | |
| INTEREST ACCRUED ON INVESTMENTS | | _____ | _____ |
| INVENTORIES | | _____ | _____ |
| SUNDRY DEBTORS | | _____ | _____ |
| CASH AND BANK BALANCES | | _____ | _____ |
| LOANS AND ADVANCES | | _____ | _____ |
| TOTAL CURRENT ASSETS : | | _____ | _____ |
| LESS : CURRENT LIABILITIES AND PROVISIONS | | | |
| LIABILITIES | | _____ | _____ |
| PROVISIONS | | _____ | _____ |
| TOTAL LIABILITIES | | _____ | _____ |
| NET CURRENT ASSETS | | _____ | _____ |
| | TOTAL RS. | _____ | _____ |

RATIO ANALYSIS

| S. NO. | PARTICULARS | YEARS | REMARKS |
|--------|---|-------|---------|
| 1. | <u>GROSS PROFIT RATIO :</u> $\frac{\text{Gross Profit}}{\text{Net Sales}} \times 100$ | | |
| 2. | <u>OPERATING PROFIT RATIO :</u> $\frac{\text{Operating Profit}}{\text{Net Sales}} \times 100$ | | |
| 3. | <u>NET PROFIT RATIO :</u> $\frac{\text{Profit after tax}}{\text{Net Sales}}$ | | |
| 4. | <u>RETURN ON SHARE-HOLDERS' INVS. :</u> $\frac{\text{Profit after tax}}{\text{Sh.Hs. Funds}} \times 100$ | | |
| 5. | <u>RATE OF RETURN ON SHARE CAPITAL :</u> $\frac{\text{Net Profit}}{\text{Sh. Capital}}$ | | |
| 6. | <u>DEBT TO EQUITY RATIO :</u> $\frac{\text{Outsiders' funds}}{\text{Sh. Hs. funds}}$ | | |
| 7. | <u>RATIO OF FIXED ASSETS TO PROPRIETORS FUNDS :</u> $\frac{\text{Net Assets}}{\text{Capital + Res.}} \times 100$ | | |
| 8. | <u>DEBTORS TURNOVER RATIO :</u> $\frac{\text{Trade Debtors}}{\text{Sales/day}}$ | | |

THE KOLHAPUR STEEL LIMITED, SHIROLI (PULACHI), KOLHAPUR 416 122.

(figures in lacs.)

RECONCILIATION OF PROFITABILITY AS ON :

DATE :

| PARTICULARS | AS PER BOOKS OF ACCOUNTS | | AS PER WEEKLY REPORTS | | VARIANCES | | REMARKS |
|---------------------------------|--------------------------|-----|-----------------------|-----|-----------|---|---------|
| | AMOUNT | % | AMOUNT | % | AMOUNT | % | |
| SALES | | | | | | | |
| INCREASE/DECREASE IN STOCKS | | | | | | | |
| <u>SALE VALUE OF PRODUCTION</u> | | 100 | | 100 | | | |
| CONSUMPTION OF RAW MATERIALS | | | | | | | |
| CONSUMPTION OF STORES & SPARES | | | | | | | |
| POWER : VARIABLE | | | | | | | |
| POWER : FIXED | | | | | | | |
| COST OF EMPLOYMENT | | | | | | | |
| ADMINISTRATION & SALES | | | | | | | |
| FINANCE | | | | | | | |
| DEPRECIATION | | | | | | | |
| TOTAL COST : | | | | | | | |
| SURPLUS : | | | | | | | |
| ADD : OTHER INCOME | | | | | | | |
| LESS: INVESTMENT ALLOWANCE | | | | | | | |
| RESERVE | | | | | | | |
| PROFIT BEFORE TAX : | | | | | | | |

THE KOLHAPUR STEEL LIMITED, SHIROLI (PULACHI), KOLHAPUR 416 122.

ACCTS/

DATE :

DEBTORS' LIST

OUTSTANDING DUES AS ON : _____ .

| S. NO. | NAME OF THE PARTY | TOTAL DUES | BANK THROUGH | BELOW 30 DAYS | BELOW 60 DAYS | BELOW 90 DAYS | ABOVE 90 DAYS | OLD DUES | DISPUTED AMOUNT | REMARKS |
|--------|-------------------|------------|--------------|---------------|---------------|---------------|---------------|----------|-----------------|---------|
|--------|-------------------|------------|--------------|---------------|---------------|---------------|---------------|----------|-----------------|---------|

1. BOMBAY AREA

1.

2.

3.

POONA AREA

1.

2.

3.

BANGALORE,
MADRAS &
KARNATAKA
AREA

1.

2.

3.

OUTSIDE
AREA

1.

2.

3.

LOCAL AREA

1.

2.

3.

INGOT SALE

SUMMARY

TOTAL :

CASTINGS

INGOTS

ACCTS/

DATE : .

CREDITORS' LIST

| S.NO. | NAME OF THE PARTY | MONTHS | REMARKS |
|-------|-------------------|--------|---------|
| 1. | | | |
| 2. | | | |
| 3. | | | |
| 4. | | | |
| 5. | | | |
| 6. | | | |
| 7. | | | |
| 8. | | | |
| 9. | | | |
| 10. | | | |
| | TOTAL RS. | | |