

# **CHAPTER-I**

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# **CHAPTER-I**

## **INTRODUCTION AND RESEARCH DESIGN**

### **1.1 INTRODUCTION :-**

Financial management of any business is very important for development of business. There are various tools and techniques of financial analysis. It is very useful for management of fund in the business. The present study deals with the use of fund flow statement to analyze the financial position and performance of Emersion Network Power India Pvt. Ltd, Thane.

The fund flow statement is a report on financial operation, changes in flow or movement of fund taken place between two accounting period of the company. This statement is important financial statement for company, society, bank and financial institution. Fund flow statement analysis only the causes of changes in the firm's working capital position. The success and failure of any business or society or bank or company depends on availability of funds and their better utilization.

It is a statement, which shows the sources and applications of funds or how the financial activities of a business or company during a particular period. The analysis of sources and application of funds, helps to identify the problem areas that can be further investigated. This statement is used as an analytical as well as planning tool. In other words, fund flow statement is a historical statement showing the sources and application of funds between the two dates designed especially to analyze changes in financial conditions of an enterprise.

Fund flow statement is neither a substitute of balance sheet nor supporting schedules to it. It covers all movements, of funds both in and out of business.

## **1.2 STATEMENT OF PROBLEM:-**

The balance sheet only reveals its finance position at a certain point of time, which has limited use of a analysis and planning purpose. Hence, it becomes necessary to undertake the study on fund flow analysis which is carried out with reference to Emerson Network Power India Ltd. Thane, in the present study.

The present study deals with the following problem.

1. How the funds are coming in i.e. inflow of fund or sources of funds.
2. How the funds are going out i.e. applications of funds.
3. What are the implications of sources and application of funds?

## **1.3 OBJECTIVE OF STUDY:-**

The present study is undertaken with the following objectives.

1. To study profile of Emerson Network Power India Pvt. Ltd, Thane.
2. To arrange the financial data available from financial statements in such form that it is suitable for fund flow statement analysis.
3. To analyze the changes in the financial condition of business enterprise in five years.

4. To reveal the sources from which the funds are made available and how they are utilized or applied.
5. To study and examine nature and policies of fund flow and working capital.
6. To study the problems arising out of fund flow analysis.
7. To suggest the remedies to raise and use the funds in most effective manner.

#### **1.4 SCOPE OF THE STUDY:-**

The fund flow analysis of the Emerson Network Power India Pvt. Ltd, Thane have been studied for the period from 2001-2002 to 2005-2006. The study is entirely based on the secondary data available in financial statement such as balance sheet and Profit and loss A/c. The present study considers only fund mobilization.

#### **1.5 LIMITATION OF THE STUDY:-**

Every study carried out by on individual has its own limitation. In some manner this study of fund flow analysis also has its own limitations which are as follows.

##### **1. Geographical limitation:-**

The present study related to the Emerson Network Power Pvt. Ltd. Thane.

##### **2. Time limitation.**

The result of analysis are based the data in the company only pertaining to financial year 2001-02 to 2005-06.

### **3. Product Limitation.**

The present study has taken only one product (UPS) for the study.

## **1.6 DATA COLLECTION**

The topic under study was selected through the discussion with project guide, management of the company.

### **I] Primary data:-**

The primary data was collected through the interview technique. A structured interview format was prepared and the interview was conducted with the following authorities.

1. Company H.R. Manager
2. Quality controller.
3. Production or processing manager
4. Accountant

The discussion was held regarding topic under study i.e. "fund flow analysis". The discussions were related to generation of fund, i.e. sources of funds & application of funds.

### **II] Secondary data:-**

Secondary data means that which already exists. It refers to data which have already been collected by someone else but is useful for present study. Secondary data has been collected from Annual Reports, subsequent financial records and books. It has been collected through company annual report for the relevant period i.e. from 2001-02 to 2005-06 the information was also collected from company.