

Comparative Study of Cash Flow Statementa Case Study At Gubba Cold Storage (Hyderabad)

¹Ms. P.Gayathri, ²Mrs. K.Neeraja, ³Mrs. A.Latha

MBA (2nd year), ²Assistant Professor, ³ Associate Professor

^{2,3} Department of MBA

^{1,2,3} Malla Reddy engineering college (A), Maisammaguda, Dhulapally,
Secunderabad.

Abstract—: A cash flow statement is prepared by an entity: It shows cash receipts from major sources and cash payments for major uses during a period. The main objective of this study is to know the company's financial performance on cash flow statement It may be prepared at quarterly intervals but at least at yearly intervals. According to this, all the cash transactions of the company are divided in three activities. i.e. operating, investing, and financing activities. Such classification helps the investors and other stakeholders in analysing the cash flow data. In this paper, a comparative study has been undertaken between two companies: Gubba cold storage and GNR cold storage. This study has made an attempt to analyse the company's cash flows by using t-test. In this study we found that the hypothesis ho is accepted.

Keywords: cash, operating activities, investing activities, financial activities.

1. Introduction

Cash flow statement is a statement which shows all the sources of cash inflow and uses of cash outflow of the business concern during a particular period of time. Cash flow statement is also known as statement of cash flows is a financial statement which shows how the changes in balance sheet accounts and income affects cash and cash equivalents. It statement includes only the inflows and outflows of cash and cash equivalents; it also excludes transactions that do not directly affect cash receipts and payments. These non-cash transactions include depreciation or write-offs on bad debts or credit losses. The cash flow statement is a cash basis report on 3 types of financial activities: operating activities, investing activities, financing activities. The cash flows management is an enterprise which should prepare a cash flow statement and should

Present if for each period for which financial statements are prepared in accordance with AS-3 cash flows statements.

A. Objectives

- i. To present information about the cash inflows and cash outflows from operating, financing and investing activities of the firm.
- ii. To show the impact of the operating, financing and investing activities on cash resources.

B. Hypothesis formulation

H0: There is no significant impact of operating, investing and financing activities.

H1: There is a significant impact of operating, investing and financing activities.

2. RESEARCH METHODOLOGY

This study was conducted by using primary and secondary data with the time period of 5 years 2012-13 to 2016-17. In this study, mainly secondary data is collected. Secondary data has been obtained from the following sources: annual reports, journals, cash flows, and other related websites.

C. Sample selection

For the purpose of the study two companies. Gubba cold storage and GNR cold storage have been selected.

D. Period of study

The study is conducted for a period of five (5) financial years i.e. from 2012-2013 to 2016-17.

E. Statistical tools

The statistical analysis technique is selected to analyze the cash flow statements of the companies under study. There are various statistical tools used to analyse the data. Changes in working capital, cash from operations, cash flow statement.

3. REVIEW OF LITERATURE

| | operating activities | | Investing activities | | financing activities | |
|---------|----------------------|--------|----------------------|---------|----------------------|--------|
| | Gubba | GNR | Gubba | GNR | Gubba | GNR |
| 2012-13 | 63.09 | 109.94 | 5.32 | -89.19 | -42.92 | -15.68 |
| 2013-14 | 94.86 | 161 | 3.61 | -53.97 | -83.35 | -47.06 |
| 2014-15 | 371.49 | 184.77 | -328.38 | -154.86 | -99.17 | -38.33 |
| 2015-16 | 344.07 | 104.78 | -101.73 | -100.71 | -192.28 | -61.17 |
| 2016-17 | 225.57 | 109.94 | -75.83 | -201.59 | -42.57 | -20.71 |

| years | operating activities | | Investing activities | | financing activities | |
|---------|----------------------|----------|----------------------|----------|----------------------|----------|
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| 2015-16 | 344.07 | 104.78 | -101.73 | -100.71 | -192.28 | -61.17 |
| 2016-17 | 225.57 | 109.94 | -75.83 | -201.59 | -42.57 | -20.71 |
| S.D | 140.2268 | 36.46276 | 136.5377 | 58.20964 | 61.30755 | 18.74985 |

Keck, T.E, Levengood, and A.Longfield, 1998, their study is about the cash analysis we can say that it is the lifeblood of any business. In an organization we can see many activities to get the cash from sales, debtors, sale of assets, investments etc. like this the company spend also the cash in some areas-payment to salaries, rent dividend. Interest etc. lastly, we can say that cash flow reveals the inflows and outflows of cash during a particular period. Cash flow is the difference between the amount of cash flowing in and cash flowing out a company. Kubr, Marchesi, ilar, Kienhuis, 1998. MCKinley & Company, explains that calculating cash flows after the forecasting period is much more difficult and uncertain, and therefore the risk factor, rises with each additional year into the future. The continuing value is a solution that represents the cash flows after forecast period. Aswath Damodaran 2001 Investment Valuation, his review tells that the value of the equity can be calculated by the total of all discounted cash flows the outstanding debts are subtracted. Tim Koller, Marc Goedhart, David Wessels. 2005, their study explains that theCash management is a broad term that refers to the collection, concentration, and disbursement of cash. It includes the level of liquidity, management of cash balances, and short-term investment strategies. In some ways, business Manager’s most important job is to manage cash flows.

F. Data analysis and hypothesis testing

The data in table 1 shows the usage rate of Gubba cold storage company’s (operating, investing and financing activities). The data were used the t-test paired two sample for means (t-test) formula. As the Comparison is done between 2 companies .i.e: Gubba cold storage and GNR cold seed storage. Calculation of standard deviation Calculation of t-test for operating activities

| | Gubba | GNR |
|------------------------------|----------|------------|
| Mean | 219.816 | 134.086 |
| Variance | 19663.55 | 1329.53288 |
| Observations | 5 | 5 |
| Pearson Correlation | 0.211633 | |
| Hypothesized Mean Difference | 0 | |
| Df | 4 | |
| t Stat | 1.397029 | |
| P(T<=t) one-tail | 0.117462 | |
| t Critical one-tail | 2.131847 | |
| P(T<=t) two-tail | 0.234924 | |
| t Critical two-tail | 2.776445 | |

INTERPRETATION:

From the t-table, it is observed that the calculated value of t for operating activities (1.397029) is less than the table value (2.776). The hypothesis is accepted. It means that there is no significant difference between the means of operating activities of selected companies. Calculation of t-test for investing activities

| | <i>Gubba</i> | <i>GNR</i> |
|------------------------------|--------------|------------|
| Mean | -99.402 | -120.064 |
| Variance | 18642.53817 | 3388.36208 |
| Observations | 5 | 5 |
| Pearson Correlation | 0.504616853 | |
| Hypothesized Mean Difference | 0 | |
| Df | 4 | |
| t Stat | 0.390339848 | |
| P(T<=t) one-tail | 0.358090429 | |
| t Critical one-tail | 2.131846786 | |
| P(T<=t) two-tail | 0.716180859 | |
| t Critical two-tail | 2.776445105 | |

INTERPRETATION:

From the t-table, it is observed that the calculated value of t for investing activities (0.390339) is less than the table value (2.776). The hypothesis is accepted. It means that there is no significant difference between the means of investing activities

| | <i>Gubba</i> | <i>GNR</i> |
|------------------------------|--------------|------------|
| Mean | -92.058 | -36.59 |
| Variance | 3758.61607 | 351.55685 |
| Observations | 5 | 5 |
| Pearson Correlation | 0.91300064 | |
| Hypothesized Mean Difference | 0 | |
| Df | 4 | |
| t Stat | -2.7656869 | |
| P(T<=t) one-tail | 0.02527697 | |
| t Critical one-tail | 2.13184679 | |
| P(T<=t) two-tail | 0.05055393 | |
| t Critical two-tail | 2.77644511 | |

of selected companies. Calculation of t-test for financing activities

INTERPRETATION:

From the t-table, it is observed that the calculated value of t for financing activities (-2.76568) is less than the table value (2.776). The hypothesis is accepted. It means that there is no significant difference between the means of financing activities of selected companies.

FINDINGS:

Firstly, from the table no.1, it can be seen that the average of cash flow from operating activities of Gubba cold storage is higher than that of GNR cold storage. Theoretically, higher the average, higher will be the rank and vice versa. So, Gubba cold storage is given 1st rank and GNR cold storage is given 2nd rank.

Secondly, in case of standard deviation, lower the value, higher will be the rank and vice versa. Considering this aspect, it is observed that the S.D for all the three activities of GNR cold storage is lower than the Gubba cold storage. So, for the three activities, gubba cold storage obtained 1st rank and GNR cold storage obtained 2nd rank.

4. HYPOTHESIS TESTING:

1. In case of operating activities, it is observed that the t-test is used for both the company's. So, it can be said that the hypothesis is accepted.
2. For investing activities, it is observed that the t-test is used for both the company's. So, it can be said that the hypothesis is accepted.
3. For financing activities also, it is observed that the t-test is used for both the company's. So, it can be said that the hypothesis is accepted.

5. Conclusion

Cash flow analysis is important to identify weaknesses in business operation that can lead the organization towards liquidity. Through cash flow analysis, organization can identify the unproductive use of fund as well as ascertain and plan future cash flow.

Cash flow forecasting and management is important because it minimizes the borrowing cost, maximizes income from short term investments and also manage financial risks. Sometimes a negative cash flow results from the company's growth strategy in the form of expanding its operations. By adjusting earnings, revenues, assets and liabilities, the investor can get a very clear picture. Thus cash flow statement plays an important role in the company.

References

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