

# A Study On Cash Management Of New Superme Motors, Patambi

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**Abstract-** *Cash flow management in companies, emphasising its vital role in ensuring profitable growth, operational effectiveness, and financial stability. A crucial component of financial management, cash flow refers to the inflow and outflow of funds from a firm and affects its capacity to pay debt, maintain operations, and finance expansion plans. For organisations to preserve liquidity, maximise financial performance, and allocate resources wisely, effective cash management is crucial. The paper explores the fundamental ideas and procedures of cash flow management, emphasising the value of regular monitoring, spending control, and cash flow forecasting. Forecasting cash flow entails projecting future inflows and outflows of funds in order to foresee any problems and take proactive measures to solve them. Organisations can create precise projections to inform financial decisions and maintain financial resilience by examining past financial data, market dynamics, and industry trends. Businesses may track performance, see patterns, and make appropriate modifications to optimise their cash flow plans by regularly analysing their cash flow. Effective expense management is essential to increasing cash flow since cutting costs without sacrificing quality can boost liquidity and improve financial performance.*

**Keywords-** cash, current ratio, expenses

## I. INTRODUCTION

Effective cash flow management is critical for maintaining financial stability and operational efficiency within businesses. Analysing the movement of money in and out of a business sheds light on key components of the income statement, which are essential for monitoring and evaluating cash flow. This discussion includes sources of cash inflows and outflows and provides valuable insights into essential cash flow management practices necessary for sustainable business operations. Cash flow represents the movement of funds within a business at any given time and is a fundamental aspect of financial management. Positive cash flow is crucial for businesses to meet their day-to-day financial obligations, such as paying suppliers, employees, and other creditors. Without adequate cash flow, businesses may struggle to cover

operating expenses, leading to financial instability and potential insolvency.

## INDUSTRY PROFILE

The motor vehicle industry, one of the world's most significant sectors, encompasses the production and sale of cars, trucks, buses, and motorcycles. It is vital to a nation's economic growth, generating numerous jobs, innovation, and technological advancements. This article provides an in-depth overview of the motor vehicle industry, covering its background, current state, major players, market trends, challenges, and opportunities. Despite facing challenges such as supply chain disruptions and semiconductor shortages, the motor vehicle industry has demonstrated resilience. Recent data shows that global production and sales of motor vehicles are recovering from the downturn caused by the COVID-19 pandemic. While there were significant declines in 2020, particularly in the first half, production and sales have rebounded in many regions, driven by pent-up demand and economic recovery efforts. The shift towards electric vehicles (EVs) continues to gain momentum. Many automakers are increasing their investments in electric vehicle technology, driven by regulatory pressure to reduce emissions and meet sustainability targets. Electric vehicle sales are expected to continue growing, spurred by advancements in battery technology, expanding charging infrastructure, and declining costs.

## COMPANYPROFILE

New Supreme Motors Pattambi is a reputable and established dealership specializing in the sales and servicing of motor vehicles. Located in Pattambi, Kerala, the company has built a strong reputation for providing quality vehicles and exceptional customer service. The dealership caters to a diverse clientele, offering a wide range of vehicles including cars, trucks, motorcycles, and commercial vehicles.

## II. REVIEW OF LITERATURE

### Patriciam.Dechow, s.p.kothari and RossL.Watts (2022)

He had undertaken study on “the relationship between earnings and cash flows” they test the predictions on a sample of 1337 firms and they conclude that Current earnings are a better forecast of future cash flows than current cashflows as predicted by the model. And, as also predicted by the model, the difference in the ability of current earnings and current cash flows to predict future cash flows is a positive function of the firm’s expected operating cash cycle. Overall, the evidence suggests the model has some statistical explanatory power.

### Davidson et al., (2021)

Cash can also be used for banking or commercial purposes. It's not an inventory, it's not a debt (it has to be), it's not a property. These can be converted into cash at any time, but you will need cash or money to pay the bank. Pay your rent and pay your salary. Increasing profits does not necessarily mean more money.

### Chimeras and others (2020)

However, in the unpredictable, some companies have excessive cash. This inactive fund has income potential that landlords do not know, which limits the growth of the business and reduces profitability. Investing in cash for a short time can increase the income of your business. With proper cash management, homeowners can properly manage the cash flow required for their business, avoid unnecessarily high balances, and increase revenues per dollar in the business.

### SCOPE OF STUDY

This research is primarily focused on cash management of the TVS Supreme motors. Cash management is primarily an observation of the motor vehicle industry and various procedures can improve the profitability and availability of liquidity in the industry. The industry retains liquidity and controls liquidity across the sector.

### OBJECTIVES

#### PRIMARY OBJECTIVE

- To study on Cash Management with reference to TVS NEW SUPREME MOTORS PATTAMBI.

#### SECONDARY OBJECTIVE

- To understand sources and uses of cash TVS NEW SUPREME MOTORS PATTAMBI
- To measure the Cash Flow from Operating activity, Investing activity Financing activity and net increase / decrease in cash flow.
- To analyse impact of proper cash management on the liquidity and profitability of TVS NEW SUPREME MOTORS PATTAMBI

## III. RESEARCH METHODOLOGY

### RESEARCH DESIGN

In this study, descriptive research methodology was utilised. The researcher analysed historical data using analytical research methods so that decisions could be made going forward. The identification of techniques and protocols for gathering data required to organise or resolve a problem is known as research design.

### POPULATION

Last 3 years balance sheet {2020-2022}

### METHOD OF DATA COLLECTION

#### SECONDARY DATA:

- Secondary data is the information used in the research.
- The annual reports of the company are used as the data's main source

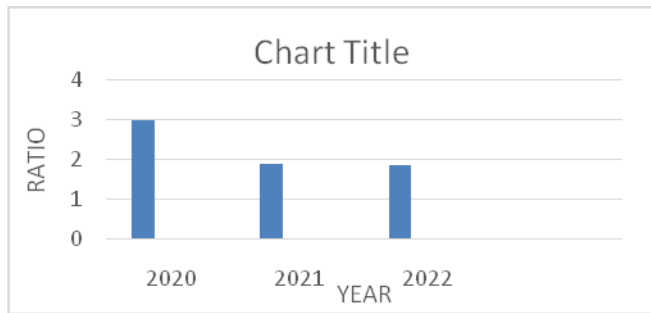
## IV. DATA ANALYSIS

### CURRENT RATIO:

The current asset is twice as large as the current liabilities, according to the usual ratio of 2:1. If the ratio is less than 2, the business's daily operations may suffer and it may be difficult to pay current liabilities

FORMULA: - Current Ratio = Current Assets/Current Liabilities

S.N O	YEA R	CURRE NT ASSET	CURRENTLIABILI TY	CURRE NT RATIO
1	2020	9,57,700	10,22,700	2.94
2	2021	4,01,800	4,55,000	1.88
3	2022	5,44,300	5,89,000	1.85



**INTERPRETATIONS:** From the above table, we can know that current ratio is the increasing from 2020 (2.94) after that it decrease in 2021(1.88) & 2022(1.85), in the company the current ratio, higher the short-term liquidity. Here the position of the company is not good when compared to previous year. This shows the negative position of the company.

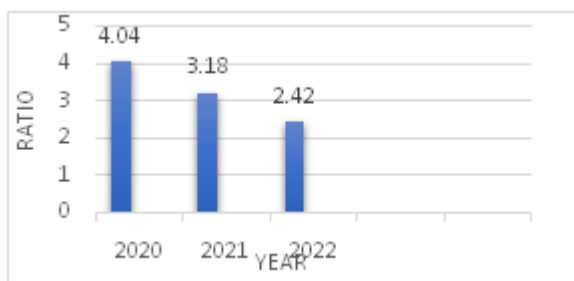
**DEBTORS TURN OVER RATIO**

The debtor’s turnover ratio formula is a crucial financial metric to evaluate a company's ability to collect outstanding debts

**FORMULA:**

$$\text{DEBTORSTURNOVERRATIO} = \frac{\text{TOTALSALES}}{\text{ACCOUNTRECEVIABLES}}$$

YE R	TOTALSA LES	ACCOUNT RECEVIAB LES	DEBTOR S TURN OVER RATIO
2020	2,59,000	6,40,000	4.04
2021	3,21,000	1,00,800	3.18
2022	3,56,000	1,47,800	2.42



**INTERPRETATIONS:** From the above chart we can know that it is increasing 2020(4.04) the it is decreasing up to 2022(2.42) rates and receivables both got in 2018, and the division performed admirably in terms of collection; however, the following year, as a result of a rise in the average amount of payables, the ratio has come up became significantly.

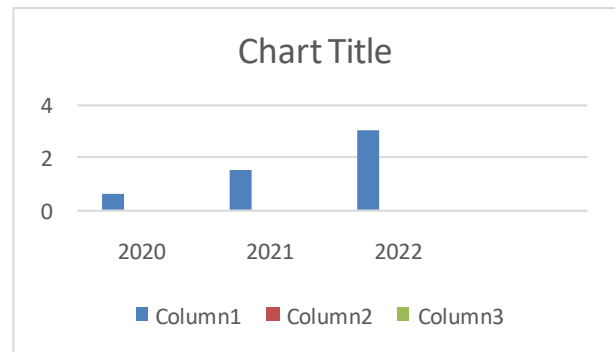
**EXPENSES RATIO:**

Supporting ratios to Operating ratio is another name for this ratio. They demonstrate how effectively business operates overall.

**FORMULA:**

$$\frac{\text{EXPENSES}}{\text{EXPENSES/NET SALES}} \times 100 = \text{ADMINISTRATION RATIO}$$

YE R	ADMINISTRATI ON EXPENSES	NET SALES	EXPENCE S RATIO
2020	1,60,000	2,59,000	0.61
2021	1,70,000	3,21,000	1.52
2022	1,80,000	3,56,000	3.05



**INTERPRETATIONS:** From the chart we can in 2018(4.36) it is decreasing by year by year to 2021(1.52) after that it is increasing in 2022(3.05) it is better for the company to understand how it may reduce or avoid wasting money on various expenses

**CASH FLOW STATEMENT OF TVS NEW SUPREME MOTORS 2020**

PARTICULAR	AMOUNT	AMOUNT
Cash receipts from operation:	3,56,000	3,96,600
Cash sale	40,600	
Other income	59,650	
Less: Cash payments from operations:	45,480	2,41,630
Purchase and direct expenses	35,000	
Selling and administration	1,01,500	
Interest and bank charges		
Salary to workers	60,545	
		<b>1,54,970</b>

Net cash inflow from operating activity (I);		<b>60,545</b>	Cash flow from investing activity:		
Cash flow from investing activity:	75,000		Purchase of fixed asset		
Purchase of fixed asset		<b>75,000</b>	Net cash outflow from investing activity (II):		
Net cash outflow from investing activity (II):			Cash from financing activity:		
Cash from financing activity:			Secured loan raised		
Secured loan raised	74,000		Unsecured loan repaid		<b>60,580</b>
Unsecured loan repaid	2,35,000		Net cash inflow from financing activity (III):		
		<b>5,09,515</b>	Net cash flow for the year: (I+II+III)	1,11,000	
Net cash inflow from financing activity (III):			Add: opening cash and cash equivalence:		<b>1,11,000</b>
Net cash flow for the year: (I+II+III)			Cash at hand		
Add: opening cash and cash equivalence:			Cash at bank		
Cash at hand			Cheques in hand	21,000	
Cash at bank			closing cash and cash equivalence	2,59,000	
Cheques in hand					<b>5,71,580</b>
closing cash and cash equivalence					

**INTERPRETATIONS:** In the above table we can see that operating, investing, financial activity in that the operating activity (59500) the amount of investing activity is (60,545) and the financial activity amount (75,000) cash equivalence is (509515) the cash flow is decreasing then previous year.

**INTERPRETATIONS:** In the above table we can see that operating, investing, financial activity in that the operating activity (1,20,000) the amount of investing activity is lesser (60,580) and the financial activity amount (111000) cash equivalence is (5,71,580) the cash flow is increasing then previous year.

#### CASH FLOW STATEMENT OF TVS NEW SUPREME MOTORS 2022

#### CASH FLOW STATEMENT OF TVS NEW SUPREME MOTORS 2021

PARTICULAR	AMOUNT	AMOUNT
Cash receipts from operation:	3,21,000	
Cash sale	25,600	3,46,600
Other income	69,650	
Less: Cash payments from operations:	10,450	
Purchase and direct expenses	31,000	2,26,600
Selling and administration Interest and bank charges	1,15,500	<b>1,20,000</b>
Salary to workers	60,580	
Net cash inflow from operating activity (1);		

PARTICULAR	AMOUNT	AMOUNT
Cash receipts from operation:	2,19,000	
Cash sale	27,600	2,47,460
Other income	67,650	
Less: Cash payments from operations:	14,450	
Purchase and direct expenses	36,000	2,43,600
Selling and administration Interest and bank charges	1,25,500	<b>3860</b>
Salary to workers	68,580	
Net cash inflow from operating activity (1);		
Cash flow from investing activity:		
Purchase of fixed asset		

Net cash outflow from investing activity (II):					<b>CURRENT ASSETS</b>				
Cash from financing activity:					CASH	74,000	24,000		53,000
Secured loan raised						2,35,00	1,16,00		1,19,000
Unsecured loan repaid						0	0	79,800	
					CASH AT BANK	1,47,80	2,27,60		6000
						0	0	79,800	2,60,600
Net cash inflow from financing activity (III):				<b>68,580</b>		74000	68,000	(180800)	
Net cash flow for the year: (I+II+III)					SUNDRY DEBTOR STOCK	5,44,30	363500	2,60,600	2,60,600
Add: opening cash and cash equivalence:	1,01,000					0	(18080)		
Cash at hand						5,44,30	5,44,30		14,000
Cash at bank					TOTALCURRE	0	0	15,000	
Cheques in hand					NT assets			15,000	14,000
closing cash and cash equivalence	54,000				Increase and decrease in current asset	3,16,00	3,30,00	15,000	1,000
	2,35,000			<b>1,01,000</b>		0	0		15,000
					<b>CURRENTLIABILITIES</b>	60,000	45,000		
						3,76,00	3,75,00		
				<b>4,62,440</b>	CREDITOR	0	0		
					PROVISION				
					Total current liability				
					Increase and decrease in current asset				

**INTERPRETATIONS:** In the above table we can see that operating, investing, financial activity in that the operating activity (3860) the amount of investing activity is Higer (68,580) and the financial activity amount (1,01,000)cash equivalence is (4,62,440) the cash flow is decreasing then previous years

#### SCHEDULE OF CHANGE IN WORKING CAPITAL OF YEAR 2022

PARTICULARS	AMO UNT (2022)	AMO UNT (2023)	INCRE ASE	DECREAS E

#### INTERPRETATIONS:

From the above statement, In the current assets is higher in the 2023(1,80,800) in the case current liability amount is increasing (1000) is essential for assessing the company's short-term financial stability and its capacity to fulfil immediate obligations.

#### V. FINDINGS

- The position of the company is not good in current ratio when compared to previous Iin 2020(2.94) but in 2022(1.85). This shows the negative position of the company
- In2020(4.04) the it is decreasing up to2022(2.42) rates and receivables both got in 2018, and the division performed admirably in terms of collection as a result of a rise in the average amount of payables, the ratio has come up became significantly.

- In comparison to 2023, there was a rise in current assets and a decrease in current liabilities in the 2022 schedule of change in working capital.
- Optimizing working capital management practices can unlock cash and improve liquidity.
- Shortening the cash conversion cycle can enhance cash flow and operational efficiency.
- In comparison to 2023, there was a rise in current assets and a decrease in current liabilities in the 2022 schedule of change in working capital.

## VI. SUGGESTIONS

- Optimise cash management procedures and maintain a sound ratio of liquid assets to liabilities to improve the company's cash position.
- Keep a close eye on the capital turnover ratio and take advantage of the beneficial business opportunities signalled by its rise in 2022.
- To maintain a positive working capital ratio and make the most use of the resources at hand, continuously assess and enhance working capital efficiency.
- To maintain financial stability and well-being, put into practice efficient cash management techniques, such as routinely observing cash flows and streamlining working capital procedures.
- Make smarter decisions and more accurate projections of future cash needs by using historical cash flow analysis to find trends and patterns.

## VII. CONCLUSION

Effective cash management is imperative for the financial health and stability of any organization. Throughout this project, we have analysed various facets of cash management and pinpointed several key areas for enhancement. Our in-depth analysis of the company's cash flows provided valuable insights into historical trends and patterns. This analysis has enabled us to develop precise cash flow forecasts, empowering the company to better anticipate its future cash requirements and make well-informed financial decisions. Furthermore, While the company's cash management and liquidity position present issues, it has demonstrated encouraging trends in capital investment and working capital efficiency. The company may improve both its operational performance and financial stability by concentrating on optimising cash management, taking advantage of advantageous business prospects, and consistently increasing working capital efficiency. Maintaining financial health and sustaining growth will need strategic capital investments, effective cash flow management,

and accurate forecasting. Moreover, we formulated a comprehensive cash budget and forecast to assist the company in better managing its cash flows and ensuring it maintains sufficient liquidity to meet its financial obligations. By implementing the recommendations delineated in this report, the company can refine its cash management practices, improve its financial performance, and attain its long-term strategic objectives.

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