



# A STUDY ON CASH FLOW STATEMENT

(WITH SPECIAL REFERENCE TO CHAITANYA CHEMICALS Ltd)

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## ABSTRACT

Cash flow statement is an important tool to analyze the cash position of a business organization. It can denote changes in cash position during the financial years. The main purpose cash flow statement is to analyzing a company financial statements. The cash flow statement is also provide information about the cash receipts and the cash payments of a firm for given period of time. It provide valuable information that compliments the profit and loss account and the balance sheet. The cash flow statement also provide information for the changes in a business cash during a specific time frame by the firm sources and use of cash during the period from operating ,investing , and the financial activities. It inform about program to repay debts ,and distribute dividends or it may be reinvest activities to expand the company operations. This article is based on the practice followed and instructions for it's preparation contained in the various text books for the guidance of the students and accountants. It is hoped that the content of this article would be help the readers to understand cash flow statement properly.

**Key words:** cash flow, operating ,investing and financing.

## INTRODUCTION:

Cash flow is an assessment method for financial matters ,cash flow analysis examines how money moves into and out of a company over a given time frame. It entails looking at the sources and uses of cash to learn more about the liquidity ,operational effectiveness ,and financial stability of a business .Clarify cash flow analysis is a cash flow study looks at how money comes in and goes out of a company .It gives business a through grasp of how money is made and spent ,empowering them to decide on financial plans ,investment opportunities ,and expansion strategies with knowledge.

## DEFINITION:

Cash flow statement analyzing a company cash inflows and outflows during a given time period are examined in a cash flow statement analysis to determine its liquidity ,financial health ,and cash generating capacity.



### **IMPORTANCE OF CASH FLOW STATEMENT ANALYSIS:**

- Evaluate liquidity.
- Predict future cash flows.
- Improves relationships with stake holders.
- Enhance financial flexibility.
- Support strategic Decision-making.

### **OBJECTIVES AND BENEFITS OF CASH FLOW STATEMENT:**

- Cash flow statement shows inflow and outflow of cash and cash equivalents from various activities of a company during a specific period under the main heads i.e., operating activities, investing activities and financing activities.
- Information through the cash flow statement is useful in assessing the ability of any enterprise to generate cash and cash equivalents and the needs of the enterprise to utilize those cash flows.
- Taking economic decision requires an evaluation of the ability of an enterprise to generate cash and cash equivalents, which is provided by the cash flow statement.

### **ADVANTAGES OF CASH FLOW STATEMENT:**

- ❖ Cash flow statements help in knowing the liquidity /actual cash position of the company which funds flow and P&L are unable to specify.
- ❖ As the liquidity position is known, any shortfalls can be arranged for or excess can be used for the growth of the business.
- ❖ Cash is the basis of all financial operations. Therefore ,a projected cash flow statement will enable the management to plan and control the financial operations, properly.
- ❖ Cash flow analysis together with the ratio analysis help measure the profitability and financial position of business.
- ❖ Cash flow statement helps in internal financial management as it is useful in formulation of financial plans.

### **TYPES OF CASH FLOWS STATEMENT:**

- Operating cash flow.
- Investing cash flow.
- Financing cash flow.

### **REVIEW OF LITERATURE:**

A literature review is ap piece of academic writing demonstrating knowledge and understanding of the academic literature on a specific topic placed in context. Here the previous researches related with the present study.

**Mien and smith(1992):**



Examined the cash flow management practices of Japanese firms ,finding that they trend to prioritize cash flow management over other financial goals.

**Penman(2001):**

Developed a frame work for analyzing cash flow statements, emphasizing the importance of understanding the relationships between cash flows, accruals, and earnings.

**Kim et al.(2004):**

Examined the relationship between cash flow management and firm performance, finding that effective cash flow management is positively related to firm performance.

**Barton(2005):**

Analyzed the relationship between cash flow statement analysis and analyst forecast accuracy, finding that cash flow statement analysis improves analyst forecast accuracy.

**Huang et al.(2017):**

Proposed machine learning approach to cash flow forecasting, finding that the approach improves forecasting accuracy compared to traditional methods.

**Li et al.(2020):**

Developed a frame work for integrating cash flow analysis with other financial analysis tools, such as ratio analysis and trend analysis.

**Wang et al.(2022):**

Examined he impact of digital technologies on cash flow statement, finding that technologies can improve cash flow forecasting accuracy and reduce cash flow volatility.

**NEED FOR THE STUDY:**

- The choice of area of the study for the project work was given after initial study of company's cash flows.
- Through the company has several departments; the prime of m interest was in finance. Cash is very important basic input needed to keep the operations of the business going on a continuous basis.
- It is also the final output expected to be realized by selling the product manufactured by the manufacturing unit.
- To analyze the various cash outflows and inflows of company and also to study the various sources of the cash in this company is needed to study this cash flow analysis.

**RESEARCH METHODOLOGY:**



Research methodology involves collecting, analyzing, and interpreting the data to understand a concept or performance.

**Research type:** Analytical

**Data source:** Secondary data

**Primary data:**

The data is collected from the internal interviews and orally to discussions with officials. The data is collected through verbal discussions and interviews.

**Secondary data:**

The data which is collected from already existed or published sources. The secondary data collected from financial statement, annual reports, profit and loss account, balance sheets etc.

**Research tools:**

Operating activities

Financial activities

Liquidity.

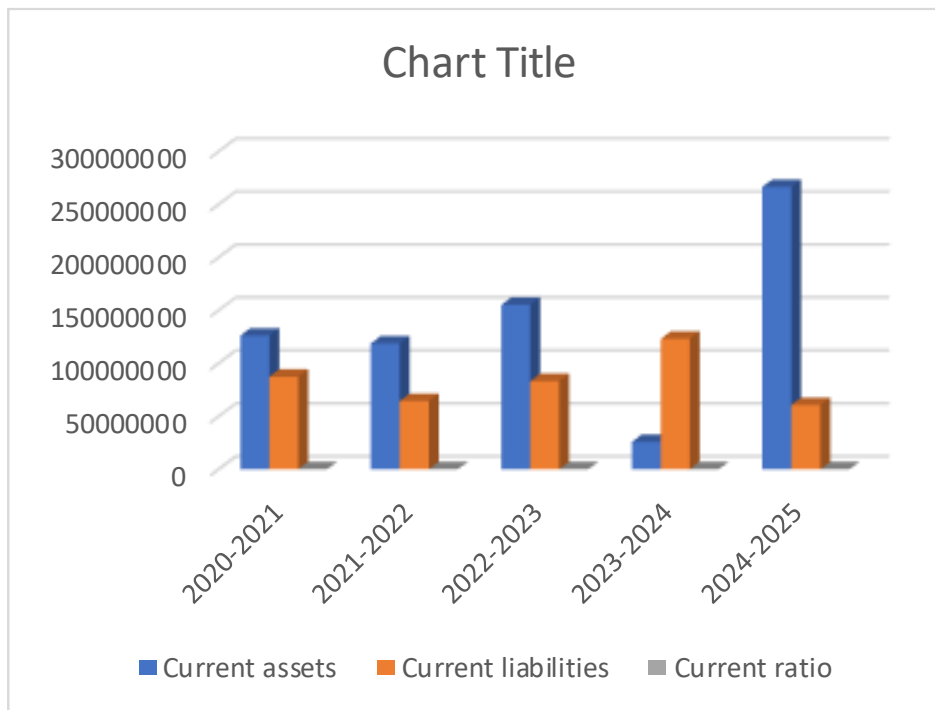
**Period of study:** The period of study is 5 financial years.

## DATA ANALYSIS

### 1.LIQUIDITY RATIO:

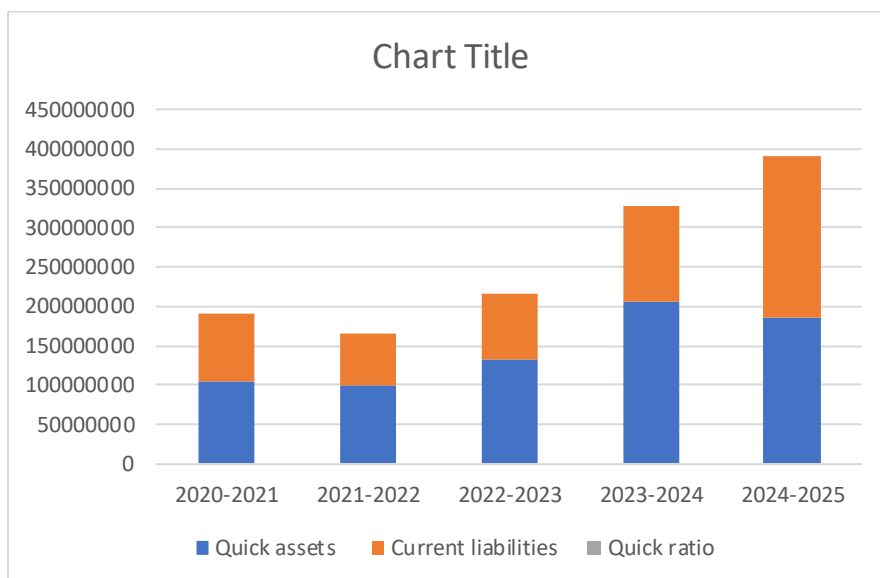
#### 1.1 CURRENT RATIO:(Over 5 years)

Years	Current assets	Current liabilities	Current ratio
2020-2021	126214734.8	87390904.09	1.44
2021-2022	118765382.8	64410603.79	1.84
2022-2023	155274201.9	83272392.03	1.86
2023-2024	25744978.2	123274975	2.08
2024-2025	266448153.3	60584330.81	4.39



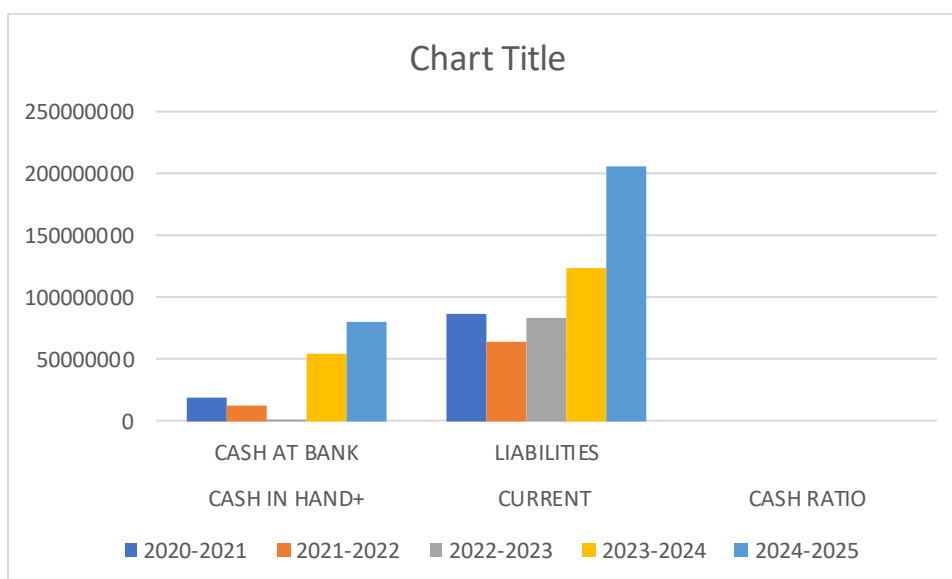
#### 1.2 QUICK RATIO:

Years	Quick assets	Current liabilities	Quick ratio
2020-2021	104497176.3	87390904.09	1.19
2021-2022	99772267.38	64410603.79	1.54
2022-2023	132187001.6	83272392.03	1.58
2023-2024	205618554.1	123274975	1.66
2024-2025	186251869.8	205863822.5	0.90



### 1.3 CASH RATIO:

YEARS	CASH IN HAND+ CASH AT BANK	CURRENT LIABILITIES	CASH RATIO
2020-2021	18617774.72	87390904.09	0.21
2021-2022	12653386	64410603.79	0.20
2022-2023	568490.41	83272392.03	6.82
2023-2024	54783168.34	123274975	0.44
2024-2025	80336775.21	205863822.5	0.39

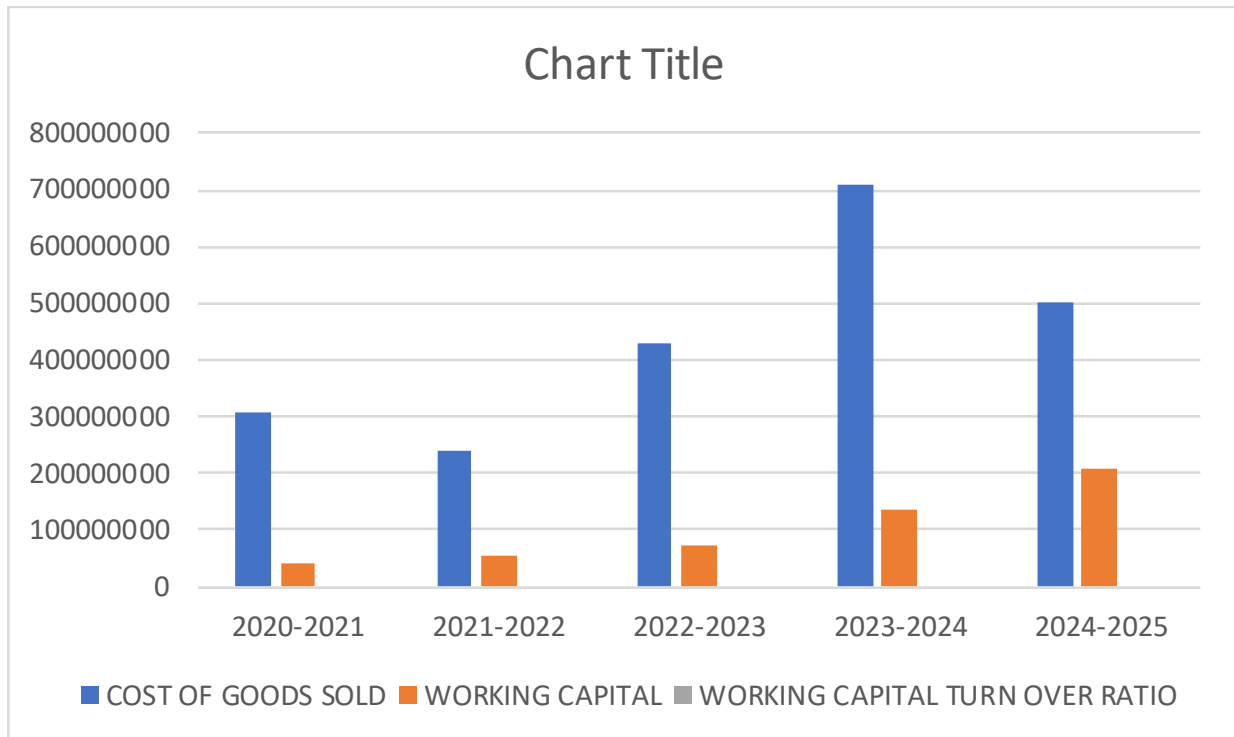


### 2.WORKING CAPITAL TURN OVR RATIO:

YEARS	COST OF GOODS SOLD	WORKING CAPITAL	WORKING CAPITAL
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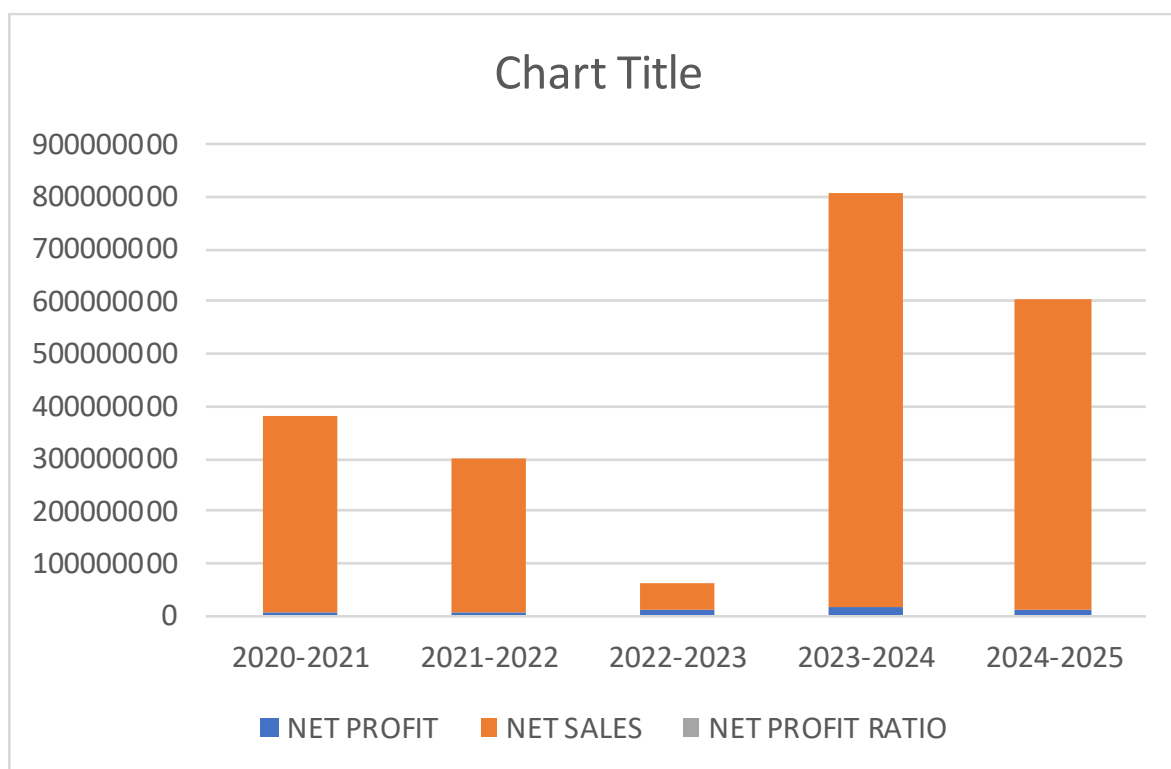


			TURN OVER RATIO
2020-2021	305292588.1	38823830.71	7.86
2021-2022	239766037	54354779.01	4.41
2022-2023	428957794.3	72001809.87	5.95
2023-2024	710876538.8	134174703.2	5.29
2024-2025	501074343.3	205863822.5	2.43



### 3.NET PROFIT RATIO:

YEARS	NET PROFIT	NET SALES	NET PROFIT RATIO
2020-2021	7446052.80	375248983.69	1.92
2021-2022	6335184.46	293768533.6	2.15
2022-2023	9457411.94	49364605.4	1.91
2023-2024	16296917.02	793827871	2.05
2024-2025	12383072.69	595127627.3	2.09



## CONCLUSION:

This study concludes that the company has maintained financial stability. However, it struggles with inefficient asset utilization affects its overall performance and profitability.

## REFERENCE:

- **IM.PANDEY**.2015.Highlighted that financial management helps in understanding a company's financial strength and weakness by examining its financial ratios.
- **V.K SAXSRNA** .2020 found that financial management serve as a critical tool in corporate finance, helping firms make informed decision making.
- **SHARMA &GUPTHA**.2021. A study by SHARMA &GUPTHA on chemical industries in revealed that cash flow analysis plays an important role.
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- **CHAITANYA CHEMICALS** financial statements, annual reports, profit &loss accounts and balance sheets.