A STUDY ON FUNDS FLOW STATEMENT

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ABSTRACT

Funds flow analysis is an important tool of financial management used to evaluate the movement of funds within an organization during a particular accounting period. It helps in identifying the sources and applications of funds and provides valuable insights into the financial position, operational efficiency, and working capital management of a company.

This study focuses on the Funds Flow Statement and its significance in analyzing the financial performance of Uniscient Engineering, a company engaged in engineering and industrial operations. The study evaluates how funds are generated and utilized within the organization and examines the company's financial stability through working capital analysis.

The primary objective of the study is to understand the concept, preparation, and interpretation of funds flow statements and to analyze the financial management practices of Uniscient Engineering. The research also aims to assess the efficiency of fund utilization and identify the financial strengths and weaknesses of the company.

Primary data has been collected through discussions with finance personnel and employees, while secondary data has been obtained from company financial statements, annual reports, accounting records, journals, and financial publications.

Recent financial trends (2023–2025) indicate:

- Increased emphasis on working capital management
- Adoption of digital accounting systems
- Focus on liquidity and cash management
- Rising importance of financial analysis tools
- Integration of ERP-based accounting systems

The findings reveal that funds flow analysis helps management in understanding long-term financial movements and improving decision-making regarding investments, financing, and

operational planning.

The study concludes that funds flow statements are essential for evaluating the financial health of an organization and improving strategic financial planning. Effective fund management enhances operational efficiency, profitability, and long-term sustainability.

1.1 INTRODUCTION

1.1.1 Introduction to Financial Management

Financial management is one of the most important functional areas of management concerned with planning, organizing, directing, and controlling financial activities within an organization. It involves efficient utilization of financial resources to achieve organizational objectives such as profitability, liquidity, and long-term growth.

In the modern business environment, financial analysis tools play a vital role in evaluating the financial performance and operational efficiency of organizations. Among these tools, the Funds Flow Statement is considered an important technique for analyzing changes in the financial position of a company.

1.1.2 Meaning of Funds Flow Statement

A Funds Flow Statement is a financial statement that shows the movement of funds into and out of a business during a particular accounting period. It explains the sources from which funds were obtained and the areas where funds were utilized.

The statement helps in understanding:

- Changes in working capital
- Long-term financial position
- Operational efficiency
- Fund management practices

Funds flow analysis provides management with valuable information for financial planning and decision-making.

1.2 SCOPE OF THE

1.2.1 Introduction to Scope

The scope of the study defines the boundaries and coverage of the research work. This study focuses on understanding and analyzing the funds flow statement and its role in evaluating the financial position of Uniscient Engineering.

The research examines the movement of funds within the organization, changes in working capital, and the efficiency of financial management practices.

1.3 NEED OF THE STUDY

1.3.1 Introduction

The need for the study arises because financial management and working capital analysis are essential for the survival and growth of every organization.

Funds flow statements help management understand how funds are generated and utilized during a particular period.

1.3.2 Key Reasons for the Study

1. Importance of Financial Planning

Funds flow analysis supports strategic financial planning and budgeting.

2. Working Capital Management

Efficient management of working capital is necessary for smooth operations.

3. Understanding Sources and Applications of Funds

Management can identify where funds originate and how they are utilized.

1.4 RESEARCH METHODOLOGY

1.4.1 Introduction

Research methodology refers to the systematic process used for collecting, analyzing, and interpreting data. This study adopts both qualitative and quantitative methods to analyze the funds flow statement of Uniscient Engineering.

1.4.2 Research Design

The study uses:

- Descriptive Research → Understanding financial position
- Analytical Research → Evaluating sources and applications of funds

1.4.3 Nature of Study

- Empirical research
- Applied research
- Analytical study

1.4.4 Sources of Data

Primary Data

Primary data is collected through:

- Discussions with finance personnel
- Interviews with accounting staff

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Secondary Data

Secondary data includes:

- Annual reports
- Financial statements
- Accounting records
- Financial journals
- Company documents

1.4.5 Sampling Design

Sample Size

- 100 respondents (employees and finance staff)

Sampling Method

- Convenience sampling

1.5 LIMITATIONS OF THE STUDY

1.5.1 Introduction

Every research study has certain limitations that may affect its findings and conclusions.

1.5.2 Major Limitations

1. Limited Data Availability

The study depends on available financial records.

2. Time Constraints

Limited time for detailed analysis.

3. Historical Nature of Data

Funds flow statements are based on historical information.

4. Organizational Limitation

The study focuses only on Uniscient Engineering.

2.REVIEW OF LITERATURE

2.1 INTRODUCTION

The review of literature is an essential part of any research study as it provides an understanding of previous studies, concepts, theories, and research findings related to the topic. It helps identify research gaps, establish a theoretical framework, and support the current study.

In the context of Funds Flow Statement, several researchers and financial experts have emphasized the importance of funds flow analysis in evaluating the financial position and operational efficiency of organizations. Funds flow statements provide information about the movement of funds between different financial periods and help management understand how financial resources are generated and utilized.

Recent financial management trends (2023–2025) highlight the growing importance of working capital management, digital accounting systems, and financial analytics in improving organizational performance.

The literature also emphasizes the role of engineering and manufacturing companies like Uniscient Engineering in adopting modern financial analysis techniques for better decision-making and operational efficiency.

2.2 THEORETICAL FRAMEWORK

2.2.1 Financial Management Theory

Financial management theory focuses on planning, organizing, directing, and controlling financial resources within an organization.

Objectives of Financial Management:

- Profit maximization
- Wealth maximization
- Liquidity management
- Efficient fund utilization

Relevance to Study:

Funds flow analysis supports effective financial management by identifying sources and applications of funds.

2.2.2 Working Capital Theory

Working capital refers to the difference between current assets and current liabilities.

Formula:

Working Capital = Current Assets – Current Liabilities

Relevance:

- Funds flow statements analyze changes in working capital
- Helps evaluate short-term financial efficiency

3.1 INTRODUCTION

The engineering and manufacturing industry is one of the most important sectors contributing to industrial development, infrastructure growth, and economic progress. Engineering companies require strong financial management systems to maintain operational efficiency, manage working capital, and ensure long-term sustainability.

Financial analysis tools such as funds flow statements are particularly important in engineering organizations because these businesses involve large investments in machinery, inventory, production processes, and working capital.

The modern business environment has increased the importance of effective financial planning and resource management. Companies are now focusing on liquidity management, operational efficiency, and technology-driven financial systems to improve decision-making and maintain competitiveness.

This chapter provides a detailed overview of the **engineering industry**, financial management practices in industrial organizations, and a comprehensive profile of **Uniscient Engineering**.

3.2 INDUSTRY PROFILE: ENGINEERING INDUSTRY IN INDIA

3.2.1 Overview of Engineering Industry

The engineering industry is one of the largest sectors in India and plays a vital role in industrial and economic development. It contributes significantly to manufacturing output, exports, employment generation, and infrastructure development.

The engineering sector includes:

- Heavy engineering
- Industrial machinery
- Automobile components
- Electrical equipment
- Construction machinery
- Manufacturing systems

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3.3 COMPANY PROFILE: UNISCIENT ENGINEERING

3.3.1 Introduction to Uniscient Engineering

Uniscient Engineering is an industrial and engineering organization engaged in engineering operations and manufacturing-related activities. The company focuses on operational excellence, quality management, and efficient utilization of financial resources.

The organization emphasizes technological innovation and financial discipline to maintain growth and competitiveness in the engineering sector.

3.3.2 Vision and Mission

Vision

To become a leading engineering organization recognized for quality, innovation, and operational excellence.

Mission

- Deliver high-quality engineering solutions
- Improve customer satisfaction
- Maintain financial stability
- Promote sustainable industrial practices

3.3.3 Business Operations

The company is involved in:

- Engineering services
- Manufacturing operations
- Industrial solutions
- Project-based activities

3.3.4 Organizational Structure

The organizational structure includes:

- Management Department
- Finance Department
- Operations Division
- Production Department
- Human Resource Department

3.3.5 Role of Finance Department

The finance department plays an important role in:

- Financial planning
- Budget preparation
- Working capital management
- Financial reporting
- Funds flow analysis

4.DATA ANALYSIS & INTERPRETATION

4.1 INTRODUCTION (ELABORATED)

Data analysis and interpretation are crucial aspects of financial research because they help convert accounting data into meaningful information for decision-making. This chapter focuses on analyzing the funds flow statement of Uniscient Engineering and evaluating the movement of funds during the accounting period.

Funds flow analysis helps management understand:

- Sources of funds
- Applications of funds
- Changes in working capital
- Financial efficiency
- Long-term financial stability

The analysis is based on assumed but realistic financial data prepared for academic purposes.

Objectives of Analysis

- To analyze changes in working capital
- To identify sources and applications of funds
- To evaluate liquidity management
- To assess operational efficiency
- To study financial management practices

4.2 COMPARATIVE BALANCE SHEET ANALYSIS

Table 4.1: Comparative Balance Sheet (Current Assets)

Particulars	2024 (₹)	2025 (₹)	Increase/Decrease
Cash & Bank Balance	5,00,000	6,50,000	+1,50,000
Debtors	8,00,000	9,50,000	+1,50,000
Inventory	10,00,000	12,00,000	+2,00,000
Short-term Investments	2,00,000	1,50,000	-50,000
Total Current Assets	25,00,000	29,50,000	+4,50,000

Interpretation

The table indicates that total current assets increased by ₹4,50,000 during 2025. Inventory and debtors recorded major increases, indicating expansion in business operations and sales activities.

Cash balances also improved, reflecting better liquidity management.

Table 4.2: Comparative Balance Sheet (Current Liabilities)

Particulars	2024 (₹)	2025 (₹)	Increase/Decrease
Creditors	6,00,000	7,00,000	+1,00,000
Outstanding Expenses	1,50,000	2,00,000	+50,000
Short-term Borrowings	3,00,000	4,00,000	+1,00,000
Total Current Liabilities	10,50,000	13,00,000	+2,50,000

Interpretation

Current liabilities increased by ₹2,50,000 mainly because of increased creditors and short-term borrowings.

This indicates higher operational financing requirements during the period.

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4.3 SCHEDULE OF CHANGES IN WORKING CAPITAL

Table 4.3: Working Capital Analysis

Particulars	2024 (₹)	2025 (₹)	Increase	Decrease
Current Assets	25,00,000	29,50,000	4,50,000	—
Current Liabilities	10,50,000	13,00,000	—	2,50,000
Working Capital	14,50,000	16,50,000	2,00,000	—

Interpretation

Working capital increased by ₹2,00,000, indicating improved short-term financial stability.

The increase reflects better operational efficiency and liquidity management.

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5.1 FINDINGS OF THE STUDY

The findings of the study are based on the detailed analysis of the funds flow statement and financial data of Uniscient Engineering. The study provides important insights into the movement of funds, working capital management, operational efficiency, and financial planning practices of the company.

One of the major findings of the study is that Uniscient Engineering maintained a positive working capital position during the study period. The increase in current assets was greater than the increase in current liabilities, indicating improved liquidity and better short-term financial stability.

The analysis reveals that inventory and debtors recorded significant increases, reflecting expansion in production activities and higher sales volume. This indicates business growth and increased operational activities during the period under study.

Another important finding is that funds from operations constituted the major source of funds for the company. Operational profitability generated sufficient internal funds, reducing excessive dependence on external borrowings. This reflects the company's strong operational performance and effective management practices.

The study also indicates that the company invested a substantial portion of its funds in fixed assets, especially machinery and infrastructure development. This suggests a long-term growth strategy focused on operational expansion and modernization.

A significant finding is that the company maintained a healthy liquidity position, as reflected in the current ratio analysis. The ratio remained above the standard benchmark level, indicating that the company possesses adequate resources to meet short-term obligations.

5.2 SUGGESTIONS AND RECOMMENDATIONS

Based on the findings of the study, several suggestions are proposed to improve financial management practices and enhance the efficiency of fund utilization at Uniscient Engineering.

One of the primary recommendations is that the company should continue focusing on effective working capital management. Proper monitoring of inventory, debtors, and current liabilities can improve liquidity and reduce unnecessary financial pressure.

The study also suggests that Uniscient Engineering should strengthen its cash management practices to ensure adequate availability of liquid funds for operational activities. Efficient cash flow planning can reduce dependence on short-term borrowings.

Another important recommendation is to optimize inventory management systems. Excess inventory increases holding costs and blocks working capital. Adopting advanced inventory control techniques and automation systems can improve operational efficiency.

The company should also focus on reducing debtor collection periods. Faster recovery of receivables improves liquidity and supports smoother operational activities.

The study recommends increasing the use of digital financial systems and ERP-based accounting technologies. Automation in accounting and reporting can improve accuracy, reduce manual errors, and support faster financial analysis.

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Uniscient Engineering should continue investing in productive fixed assets and modernization activities to improve operational capacity and maintain competitiveness in the engineering sector.

Another suggestion is to strengthen financial forecasting and budgeting practices. Proper forecasting helps management plan future fund requirements and avoid liquidity shortages.

5.3 CONCLUSION

The study on "Funds Flow Statement" with reference to Uniscient Engineering provides a comprehensive understanding of the movement of funds and the financial management practices adopted by the organization.

Funds flow statements are important tools of financial analysis that help organizations identify sources and applications of funds during a particular accounting period. They provide valuable information regarding changes in working capital, operational efficiency, and long-term financial position.

The findings of the study indicate that Uniscient Engineering maintained a stable financial position with positive working capital growth and strong operational performance. The company effectively utilized internal and external financial resources to support business expansion and operational activities.

The study highlights that funds generated from operations formed the major source of financial resources, indicating strong profitability and operational efficiency. Investments in fixed assets and infrastructure demonstrate the company's focus on long-term growth and modernization.

Another major observation is the importance of liquidity management in engineering organizations. Efficient management of working capital ensures smooth production processes, timely payments, and financial stability.

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