

Evaluation of Fixed Assets Management

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ABSTRACT

Fixed assets, also known as "tangible assets" or property, plant, and equipment (PP&E), is a term used in accounting for assets and property that cannot easily be converted into cash. This can be compared with current assets such as cash or bank accounts, which are described as liquid assets. In most cases, only tangible assets are referred to as fixed. AS 16 (International Accounting Standard) defines Fixed Assets as assets whose future economic benefit is probable to flow into the entity, whose cost can be measured reliably. Moreover, a fixed/non-current asset can also be defined as an asset not directly sold to a firm's consumers/end-users. As an example, a baking firm's current assets would be its inventory (in this case, flour, yeast, etc.), the value of sales owed to the firm via credit (i.e. debtors or accounts receivable), cash held in the bank, etc.

Its non-current assets would be the oven used to bake bread, motor vehicles used to transport deliveries, cash registers used to handle cash payments, etc. While these non-current assets have value, they are not directly sold to consumers and cannot be easily converted to cash. These are items of value that the organization has bought and will use for an extended period of time; fixed assets normally include items such as land and buildings, motor vehicles, furniture, office equipment, computers, fixtures and fittings, and plant and machinery. These often receive favourable tax treatment (depreciation allowance) over short-term assets. It is pertinent to note that the cost of a fixed asset is its purchase price, including import duties and other deductible trade discounts and rebates. In addition, cost attributable to bringing and installing the asset in its needed location and the initial estimate of dismantling and removing the item if they are eventually no longer needed on the location. The primary objective of a business entity is to make profit and increase the wealth of its owners. In the attainment of this objective it is required that the management will exercise due care and diligence in applying the basic accounting concept of "Matching Concept". Matching concept is simply matching the expenses of a period against the revenues of the same period.

Keywords: Fixed Asset control, Objectives,

Limitations.

INTRODUCTION

Fixed Assets are the assets held with the intention of being used on continuous basis for the purpose of producing or providing goods or

services and are not held for resale in the normal course of business. E.g.: Land and Buildings, Plant and Machinery, Motor Vehicles, Furniture and Fixture Valuation of fixed assets is important to have fair measure of profit or loss and financial position of the concern. Fixed assets are meant for use for many years. The value of these assets decreases with their use or with time or many other reasons. A portion of fixed assets are reduced by usage are converted into cash through charging depreciation. For correct measurement of income, proper measurement of depreciation is essential, as depreciation constitutes a Part of total cost of production.

NEED OF THE STUDY

1. As fixed assets play an important role in company's objectives.
2. The owner's funds and long term liabilities are invested in fixed assets.
3. If firms fixed assets are idle and not utilized properly it affects the long term.
4. Comparing with similar company and comparison with industry standards.

OBJECTIVE OF THE STUDY

The main objective of the project work is to study and analyse and preparation FIXED ASSETS MANAGEMENT ULTRATECH cement.

The objectives are:

1. The study is conducted to know the amount of capital expenditure made by the company during study period.
2. The study is conducted to evaluate fixed assets performance of ULTRATECH CEMENT ELECTRONICS.

3. The study is conducted to know the amount of finance made by long –term liabilities owner's funds towards fixed assets.
4. Study is conducted to evaluate that if fixed assets are liquidated.

SCOPE OF THE STUDY

1. The project is covered on fixed assets of ULTRATECH CEMENT ELECTRONICS.
2. The subject matter is limited to fixed assets, its analysis and its performance but not to another areas of accounting corporate, marketing and financial matters.
3. The entire fixed assets management matters taken by the company records, in this fixed assets acquisition, receiving, payments, identification, inventory, surplus involving in this fixed assets management.

REVIEW OF LITERATURE

Fixed asset, also known as a **non-current asset** or as **property, plant, and equipment (PP&E)**, is a term used in accounting for assets and property which cannot easily be converted into cash. This can be compared with current assets such as cash or bank accounts, which are described as liquid assets. In most cases, only tangible assets are referred to as fixed. Moreover, a fixed/non-current asset can also be defined as an asset not directly sold to a firm's consumers/end-users. As an example, a baking firm's current assets would be its inventory (in this case, flour, yeast, etc.), the value of sales owed to the firm via credit (i.e. debtors or accounts receivable), cash held in the bank, etc. Its non-current assets would be the oven used to bake bread, motor vehicles used to transport deliveries, cash registers used to handle cash payments, etc. Each aforementioned non-current asset is not sold directly to consumers

Depreciating a Fixed Asset:

Depreciation is, simply put, the expense generated by the use of an asset. It is the wear and tear of an asset or diminution in the historical value owing to usage. Further to this; it is the cost of the asset less any salvage value over its estimated useful life. It is an expense because it is matched against the revenue generated through the use of the same asset. Depreciation is usually spread over the economic useful life of an asset because it is regarded as the cost of an asset absorbed over its useful life. Invariably the depreciation expense is charged against the revenue generated through the use of the asset. The method of depreciation to be adopted is best left for the management to decide in consideration to the peculiarity of the business, prevailing economic condition of the assets and existing accounting guideline and principles as implied in the organizational policies. It is worth noting that not all fixed assets depreciate in value year-over-year. Land and buildings, for example, may often increase in value depending on local real-estate conditions. A long-term tangible piece of property that a firm owns and uses in the production of its income and is not expected to be consumed or converted into cash any sooner than at least one year's time. Fixed assets are sometimes collectively referred to as "plant".

SHEET - ACCOUNTING BALANCE FOR FIXED ASSETS

INTRODUCTION: An important distinction is made in accounting between "current assets" and "fixed assets". **Current assets** are those that form part of the circulating capital of a business. They are replaced frequently or converted into cash during the course of trading. The most common current assets are stocks, trade debtors, and cash. Compare current assets with fixed assets. A **fixed asset** is an asset of a

business **intended for continuing use**, rather than a short-term, temporary asset such as stocks.

METHODOLOGY

The data used for the analysis and interpretation is from annual reports of the company i.e, secondary forms of data. Ration analysis is used for calcution purpose.The project is presented using tables, graphs and with their interpretation. No survey undertaken or observation study is conducted by evaluating fixed assets performance of the company.

SOURCES OF DATA

The data needed for this project is collected from the following sources.

1. The data is adopted purely from secondary sources.
2. The theoretical contents are gathered purely from eminent text books and references.
3. The financial data and information is gathered from annual reports of the company.

LIMITATIONS

The following are the limitations for the study

1. The study is limited into date and information provided by the ULTRATECH CEMENT ELECTRONICS.
2. The report may not provide exact fixed assets status and position of ULTRATECH CEMENT ELECTRONICS; it may be varying from time and situation to situation.
3. This report is not helpful in investing in ULTRATECH CEMENT.

FINDINGS

1. Regarding to the fixed assets to net worth ratio

shows a continuous increase in net worth fixed assets

2. Regarding the long term funds to fixed assets they show in increase.

3. Regarding the total investment turnover ratio it is observed sales had an increase from 2008-11.

4. Regarding the fixed assets turnover ratio, sales and an increased.

5. From the above study it can be said that the Ultratech Cement overall financial position of fixed assets is satisfactory.

SUGGESTIONS

1. It is suggested to improve the position of the company by effective's utilization of fixed assets.

2. Growth rate in fixed assets can be increase by employing more investment.

3. Total investment to sales can be improved.

4. Company may look into increasing various forms of current assets and decreasing current liabilities to effectively manage working capital requirement.

5. The company has to look out new joint ventures and assignments.

6. To meet the short term requirements the company has to raise short term as well as long term loans.

CONCLUSION

After analyzing the financial position of Ultratech Cements and evaluating its fixed assets management or capital budgeting techniques in respect of component analysis, trend analysis and ratio analysis. The following conclusions are drawn from the project preparation.

Even though company is utilizing its own funds there is very need that company should improve its liquidity position, debtors collection period. Utilization of proper management of its current assets and current liabilities.

The progress of Ultratech Cements shows that there is an increase in Net block considerably over the year that the investment in the net block is in increase trend. It increased during the year 2008-11 and it has 69.80%.

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