A STUDY ON FIXED ASSETS MAAGEMENT OF BAJAJ AUTO LTD

K. Anitha
Student
Department of Master of Business Administration
DRK Institute of Science and Technology, Hyderabad

Dr. K. Venkata Subbaiah
Professor and Principal
Department of Master of Business Administration
DRK Institute of Science and Technology, Hyderabad

Mrs. A. Renuka
HOD and Assistant Professor
Department of Master of Business Administration
DRK Institute of Science and Technology, Hyderabad

ABSTRACT

Asset management is critical to the accounting process of any business. Fixed assets are assets that are regularly used for production purposes. Since fixed assets are acquired for use in the business to generate income, they are recorded at their book value and current fair value. This study helps to understand various aspects of fixed asset management, how a company acquires an asset, why it needs it, how a company uses these fixed assets, etc. This document analyzes the effectiveness and efficiency of fixed asset management. According to the results of the research carried out, it shows: Results of the analysis of the effectiveness of fixed asset management.

Keywords: fixed assets; effectiveness; efficiency

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. The selection of various fixed assets required creating the desired production facilities and the decision regards the determination of the level of fixed assets is primarily the task that at the production technical people. The decision relating to fixed assets involves huge funds a long period of time is generally irreversible nature affecting the long term profitability of a concern, an unsound investment decision may prove to be total to the very existence of the organization. Thus, the management of fixed asset is of vital importance to any organization.

Fixed assets are those, which are required and held permanently for a pretty longtime in the business and are used for the purpose of earning profits. This successful continuance of the business depends upon the maintenance of such assets. They are not meant for release in the ordinary course or business and the utility of these remains so long as they are in working order, so they are also know as capital assets. Land and building, plant and machinery, motor vans, furniture and fixture are some examples of these assets.

Financial transactions are recorded in the book keeping in view the going concern aspect of their business unit. It is assumed the business unit has a reasonable expectation of continuing business at a profit for indefinite period of time. It will continue to operate in the future. The assumption provides much of the justification for recoding fixed assets at original cost and depreciating them in a systematic manner without reference to their current realizable value. It is useless to show fixed assets in the balance sheet at their estimated realizable value. It is useless to show fixed assets in the balance sheet at their estimated realizable values if there is no immediate expectation of selling them. Fixed resale, so they are shown at their book values (i.e., cost less depreciation provided) and not at their current realizable values.

Review of Literature:

Mc Bonney (1994) "Fixed asset management is one of the success stories of recent years and it is changing rapidly in response to international competition and new technology. This paper examines some of these developments. Inventory is a major investment in most companies. It strongly influences the internal flexibility of a company".

Rosenblatt (1977) noted that "the cost of maintaining inventory is included in the final price paid by the consumers. As such, goods in inventory represents a cost to their owner because, the manufacturer has paid for materials and labor".

Morris (1995) also stressed that "inventory management in its broadest perspective is to keep the most economical amount of one kind of asset in order to facilitate an increase in the total value of all assets of the organization such as human and material resources. Thus, the overall goal of Fixed asset management is minimization of stock-out".

Robert (1998) defined "inventory as the aggregate of those items of tangible personal asset of a firm which are: held for sale in the day to day activities of the business .i.e. finish goods; in the process of production for sale i.e. work in progress; are to be currently consumed in the production of goods and services".

Lucey (1992) says that, "after each issue or receipt of the physical balance of stock is calculated, the total balances represent stock in hand (closing stock). Inventory in many organization are held in form of raw material, spare part, work in progress and finish goods".

Healy at 1992 use "cash flow analysis to exposes the post merge performance using a sample of largest to mergers in us industry the results indicate the improved productivity due to average leading to high cash flow returns are significance they position reelected to baronial stock returns at merge announcement".

Objectives of the Study:

- The study is conducted to evaluate fixed assets performance of the organization
- The study is conducted to know the amount of finance made by long-term liabilities and owners funds towards fixed assets.
- The study is conducted to evaluate whether fixed assets are giving adequate returns to the company

Research Methodology:

SOURCES OF DATA COLLECTION
The researcher has used both primary data and secondary data for the study.
Primary Data: Primary data is generated on solving the research problem.
Secondary Data:
The following are the major sources of secondary data:
• Articles • Websites • Journals • Books • Record etc
PERIOD OF STUDY:
The study was made for the period of 5 years i.e. 2017 to 2022.
Limitations of The Study:
The following are the limitations for the study
The study is limited into the date and information provided by the company annual reports.
The report may not provide exact fixed assets status and position of the company, it may be varying from time to time and situation to situation.
The study of Fixed Asset Management drawn mainly for five years data only.
Data Analysis and Interpretation:

Fixed Assets:

Table-1:

Year	Fixed Assets (Rs. Cr.)	Change (%)
2018-19	2,156.00	11.43
2019-20	2,104.00	-2.41
2020-21	2,028.00	-3.61
2021-22	2,258.00	11.34
2022-23	3,272.00	44.91

Source: www.moneycontrol.com

According to the above table, fixed assets were Rs. 2,156 crore in the beginning of the financial year with a growth of 11.43% to the previous year. In next year, fixed assets were down meagerly by 2.41%. and in the next year also, the assets were recorded Rs 2,028 crore with a decrease of 3.61%. But, the assets were up by 11.34% in the year 2021-22. In the last year of the study, the assets were steeply increased by 44.91% and recorded Rs. 3,272 crore.

Fixed Assets to Net Worth Ratio:

Table-2:

(Rs. Cr.)

Year	Fixed Assets	Net worth	Ratio
2018-19	2,156	24,184	0.09
2019-20	2,104	22,480	0.09
2020-21	2,028	28,181	0.07
2021-22	2,258	30,646	0.07
2022-23	3,272	30,089	0.11

Source: www.moneycontrol.com

Based on the above table, one can interpret that the ratio was continuously decreased during the first four years of the study from 0.09 in the first year 2019 to 0.07, but in the last year of the study ratio was increased to 0.11. The ratio measuring the solvency of a company. This ratio indicates the extent to which the owners' cash is frozen in the form of fixed assets, such as property, plant, and equipment, and the extent to which funds are available for the company's operations (i.e. for working capital).

Fixed Assets Turnover Ratio:

Table-3:

Year	2018-19	2019-20	2020-21	2021-22	2022-23
Fixed Assets Turnover Ratio	1.50	1.38	1.27	1.18	1.51

Source: www.moneycontrol.com

Fixed assets turnover ratio table shows that in the first year of the study the ratio was 1.50 and decreased to 1.50 and continued its downward journey to 1.38, 1.27 and 1.38 ratio respectively in the next three years. But, again it moved upward direction in the last year to 1.51. A higher fixed asset turnover ratio indicates that a company has effectively used investments in fixed assets to generate sales.

Total Assets Turnover Ratio:

Table-4:

Year	2018-19	2019-20	2020-21	2021-22	2022-23
Total Assets Turnover Ratio	3.86	3.52	3.36	3.14	3.13

Source: www.moneycontrol.com

One can interpret from the above table that the ratio was continuously decreased during the period of the study from 3.86 in the first year 2018-19 to 3.13 in the last year of the study. The higher the ratio, the better for the organization. total assets acts as an indicator of a number of management's decisions on capital expenditures and other assets.

Findings:

- Fixed assets were considerably increased during the period of the study. This indicates managements passive decision towards further investments.
- Fixed assets to net worth ratio during the period of the study were continuously decreased. This is indicating the better solvency of the company.
- Fixed Asset to Turnover Ratio was remains same in the study period with slight variation. This indicates poor utilization of fixed assets.
- Total Assets to Turnover Ratio in the study period was decreased. It indicates the mismanaging and under utilizing its assets. Low turnover ratio is indicative of underutilization of available resources and presence of idle capacity.
- The Fixed asset management is quite comfortable with a judicious mix of debt and equity. The overall assessment of financial statement signifies under utilization of the investments, loans and advances.

Suggestions:

- It is instructed to boost the position of the corporate by effective's utilization of mounted assets.
  The performance of a firm will be improved either by generating additional sales per rupee of investment or by increasing the gross margin per rupee of sales.
- The overall assessment of financial statement signifies improvement in the utilization of the investments, loans and advances.
- Growth rate in fixed assets can be increased by employing more investment.
- Asset management is an important part of Capitalization because of it the plant is able to know about the actual value of assets.
- The new assets are acquired such as Plant, Property & Equipment for the expansion & diversification of fixed asset in the organization.
- The management should take appropriate control of mechanism to optimal utilization of company assets to improve the earnings, and solvency position of the company.

References:

1. *Dr. K. Sheshamurthy, R. Venkatesh, (2015), "Management Accounting", Bangalore, Skyward Publishers.*
2. *Dr. S. Anil Kumar, Dr. V. Rajesh Kumar, Dr. B. Mariyappa, (2014), "Advance Financial Accounting", Bangalore, Himalaya Publishing House Pvt. Ltd.,*
3. *George Emmanuel Latridis, "Incentives for Fixed Asset revaluations; the UK evidence", Emerald Group Publishing Limited, 2012, Issue 1, Volume 13, Page no 5-20.*
4. *ZoranNesic, NebojsaDenic, JasminaVesicVasovic, MiroslavRadojicic, "One approach to the development of software for improving the use of fixed assets", Faculty of engineering and the center for quality, June 2015, Issue 1, Volume 4, Page no 517-522.*
5. *Dr. I. Sathyanarayana, N.B.C Sindhy, A. Naresh, "Evaluation of Fixed Asset Management", International Journal of Scientific Research and Management, 2015, Issue 3, Volume 3, page no 2500-2504.*