

A THEORETICAL STUDY OF FINANCIAL PLANNING & FORECASTING

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ABSTRACT

Financial Planning and Forecasting is the estimation of value of a variable or set of variables at some future point. A Forecasting exercise is usually carried out in order to provide an aid to decision – making and planning in the future. Financial planning and forecasting represents a blueprint of what a firm proposes to do in the future. So, naturally planning over such horizon tends to be fairly in aggregative terms. While there are considerable variations in the scope, degree of formality and level of sophistication in financial planning across firms, we need to focus on common elements which include Economic assumptions, Sales forecast, Proforma statements, Asset requirements and the mode of financing the investments .In general usage, a financial plan can be a budget, a plan for spending and saving future income. This plan allocates future income to various types of expenses, such as rent or utilities, and also reserves some income for short-term and long-term savings. A financial plan can also be an investment plan, which allocates savings to various assets or projects expected to produce future income, such as a new business or product line, shares in an existing business, or real estate. Financial forecast or financial plan can also refer to an annual projection of income and expenses for a company, division or department. A financial plan can also be an estimation of cash needs and a decision on how to raise the cash, such as through borrowing or issuing additional shares in a company.

INTRODUCTION

The lack of planning and control of cash resources is the reason often given for the failure of many small businesses in Australia. However, good forecasting can help reduce your business risk. Much like a map helps you plan a long road trip, a financial forecast (often called a cash budget, cash flow, or financial plan) helps you achieve your goals and get your business to where you want it to be. A financial forecast is a tool that allows you to use your resources where they're most needed, so you can control the cash flow of your business, instead of it controlling you. It allows you to control your money so you are more likely to achieve your desired net profit. A financial plan is a series of steps or goals used by an individual or business, the progressive and cumulative attainment of which is designed to accomplish a financial goal or set of circumstances, e.g., elimination of debt, retirement preparedness, etc. This often includes a budget which organizes an individual's finances and sometimes includes a series of steps or specific goals for spending and saving future. This plan allocates future income to various types of expenses, such as rent or utilities, and also reserves some income for short-term and long-term savings. A financial plan is sometimes referred to as an investment plan, but in personal finance a financial plan can focus on other specific areas such as risk management, estates, college, or retirement. People enlist the help of a financial planner because of the complexity of performing the following:

- Providing financial security and ensuring that all goals of personal finance are met
- Finding direction and meaning in one's financial decisions;
- Understanding how each financial decision affects other areas of finance; and
- Adapting to life changes to feel more financially secure.

The best results of working with a comprehensive financial planner, from an individual client or family's perspective are:

- To create the greatest probability that all financial goals (anything requiring both money and planning to achieve) are accomplished by the target date, and
- To have a frequently-updated sensible plan that is proactive enough to accommodate any major unexpected financial event that could negatively affect the plan, and

OBJECTIVES OF THE STUDY:

The project is an attempt to seek an insight into the aspects that are involved in the capital structuring and financial decisions of the company. This project endeavors to achieve the following objectives.

1. To Study the Financial Forecasting and planning of HERO MOTO CORP LTD.
2. To Study effectiveness of financing decision on EPS and EBIT of the firm.
3. To Study leverage analysis of HERO MOTO CORP LTD
4. To Study the financing trends in the HERO MOTO CORP LTD

SCOPE OF THE STUDY:

The purpose of the study is to know the short-term financial position of the concern and the efficiency with the finance being used.

This purpose is firm analysis. Financial performance evaluation as well as proved area and innumerable studies have proved the utility and usefulness of this analytical technique by analyzing financial performance employing certain selected financial ratios the company in question managers, present and potential investors, outside parties as such as creditors and sectors of the government employees and many more could get an idea of the performance of the company over the study period.

IMPORTANCE OF THE STUDY:

The value of the firm depends upon its expected Financial Forecasting. The rate used to discount earnings stream it's the firm's required rate of return or the cost of capital. Thus, the capital structure and Financial Forecasting decision can affect the value of the firm either by changing the expected earnings of the firm, but it can affect the reside earnings of the shareholders. The effect of leverage on the cost of capital is not very clear. Conflicting opinions have been expressed on this issue. In fact, this issue is one of the most continuous areas in the theory of finance, and perhaps more theoretical and empirical work has been done on this subject than any other. If leverage affects the cost of capital and the value of the firm, an optimum capital structure would be obtained at that combination of debt and equity that maximizes the total value of the firm or minimizes the weighted average cost of capital. The question of the existence of optimum use of leverage has been put very succinctly by Ezra Solomon in the following words.

RESEARCH METHODOLOGY:

The researcher uses analytical research to interpret with the facts or information already available and analyse these to make critical evaluation and brings the findings for strengthening insurance sector growth.

DATA COLLECTION:

Data relating to TVS MOTORS LTD. Has been collected through

SECONDARY SOURCES:

- Published annual reports of the company for the year 2016-2021.

PRIMARY SOURCES:

- Detailed discussions with Vice-President (Works).
- Discussions with the Finance manager and other members of the Finance department.

DATA ANALYSIS:

At each point of time a business firm has a number of proposals regarding various projects in which, it can invest funds. But the funds available with the firm are always limited and are not possible to invest trend in the entire proposal at a time. Hence it is very essential to select from amongst the various competing proposals, those that gives the highest benefits. The crux of capital budgeting is the allocation of available resources to various proposals. There are many considerations, economic as well as non-economic, which influence the capital budgeting decision in the profitability of the prospective investment.

Yet the right involved in the proposals cannot be ignored, profitability and risk are directly related, i.e. higher profitability the greater the risk and vice versa there are several methods for evaluating and ranking the capital investment proposals. These tools access in the interpretation and understanding of the Existing scenario of the Capital Structure.

TOOLS AND TECHNIQUES:

Financial calculations determine the profitability of business expansion or new business opportunities. Smaller or home-based businesses may not use financial forecasting tools as frequently as larger business organizations. The net present value calculation estimates future cash inflows from expanded business or new business opportunities and discounts these dollar amounts back to today’s dollar value. The discount rate is usually a predetermined rate of return percentage company’s want to achieve on new business opportunities. A baseline percentage is usually 10 percent or 12 percent, which is commonly seen as the rate of return earned by investing money in the stock market.

LIMITATION OF STUDY:

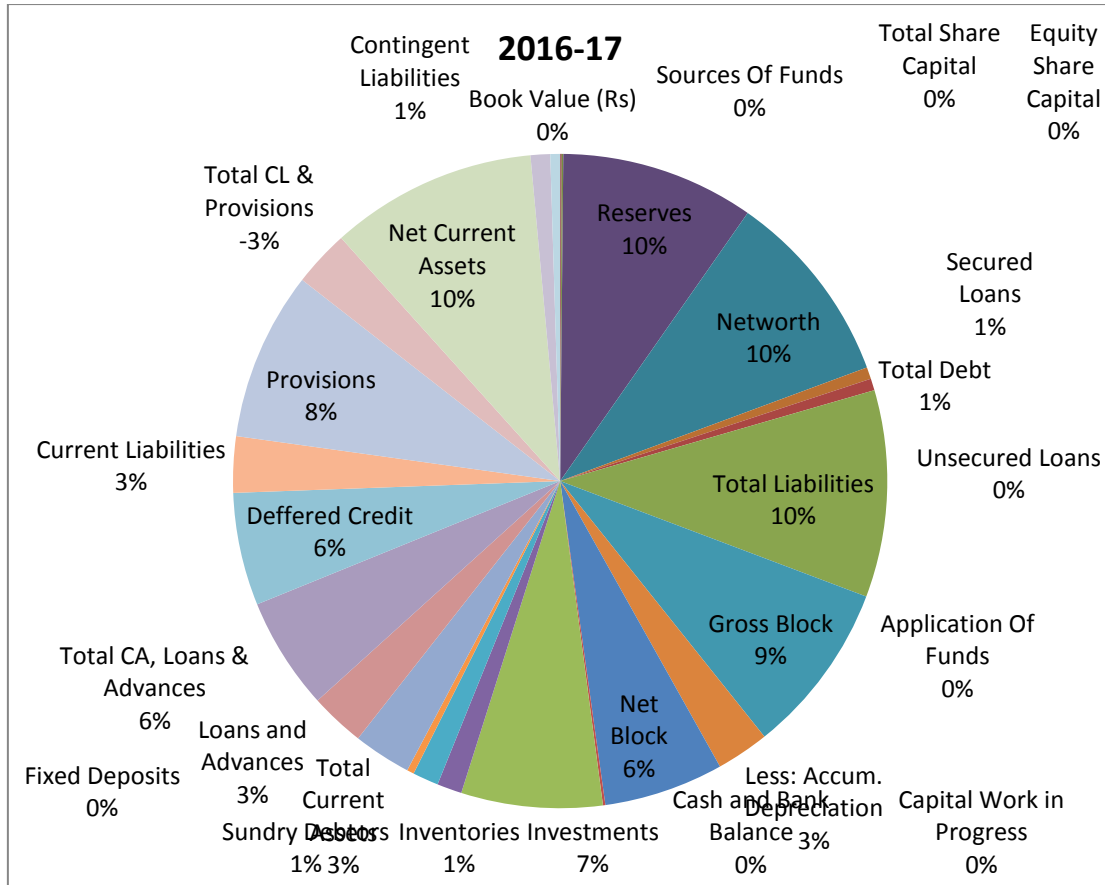
- The study is limited to HERO MOTO CORP LTD only.
- The study is limited to certain projects of HERO MOTO CORP LTD Period of the
- study is restricted to five years only.
- The present study cannot be used for inter firm comparison.
- Limited span of time is a major limitation for this project.
- The act and figures of the study is limited to the period of FIVE years i.e. 2016-2021
- The data used in reports are taken from the annual reports, published at the end of the years.
- The result does not reflect the day-to-day transactions.
- It is also impossible to the study of day-to-day transactions in cash management.
- The analysis of the capital is taken FIVE years.

CHAPTER-IV DATA ANALYSIS AND INTERPRETATION

Comparative Statement Analysis 2016-17 of S.R.K. Industries

	Mar '17	Mar '16	ABSOLUTE INCREASE/ DECREASES	CHANGE IN %
Sources Of Funds				

Total Share Capital	39.94	39.94	0	0
Equity Share Capital	39.94	39.94	0	0
Reserves	4,966.30	4,249.89	716.41	0.168571
Networth	5,006.24	4,289.83	716.41	0.167002
Secured Loans	302.16	994.85	-692.69	-0.69628
Unsecured Loans	0.00	0	0	
Total Debt	302.16	994.85	-692.69	-0.69628
Total Liabilities	5,310.40	5,284.68	23.72	0.004488
Application Of Funds				
Gross Block	4,427.29	6,310.26	-1880.97	-0.29818
Less: Accum. Depreciation	1,356.31	2,522.75	-1366.44	-0.46237
Net Block	3,070.98	3,785.51	-714.53	-0.18875
Capital Work in Progress	62.11	193.95	-151.86	-0.67987
Investments	3,623.83	3,964.26	-340.43	-0.10587
Inventories	636.76	675.57	-38.81	-0.05745
Sundry Debtors	665.00	272.31	392.69	1.44207
Cash and Bank Balance	181.04	56.1	144.94	2.227114
Total Current Assets	1,482.80	1,003.98	478.82	0.476922
Loans and Advances	1,401.95	926.99	474.96	0.514368
Fixed Deposits	0.00	20.72	-20.72	-1
Total CA, Loans & Advances	2,884.75	1,951.69	933.06	0.478078
Deffered Credit	2,893.39	0	2893.39	
Current Liabilities	1,439.86	3,520.66	-2100.8	-0.59123
Provisions	4,333.25	1,110.07	3243.18	2.975203
Total CL & Provisions	-1,448.50	4,612.73	-6059.23	-1.31416
Net Current Assets	5,310.40	-2,659.04	7967.44	-2.99636
Contingent Liabilities	502.00	252.62	249.38	0.987174
Book Value (Rs)	250.70	214.83	35.87	0.166969



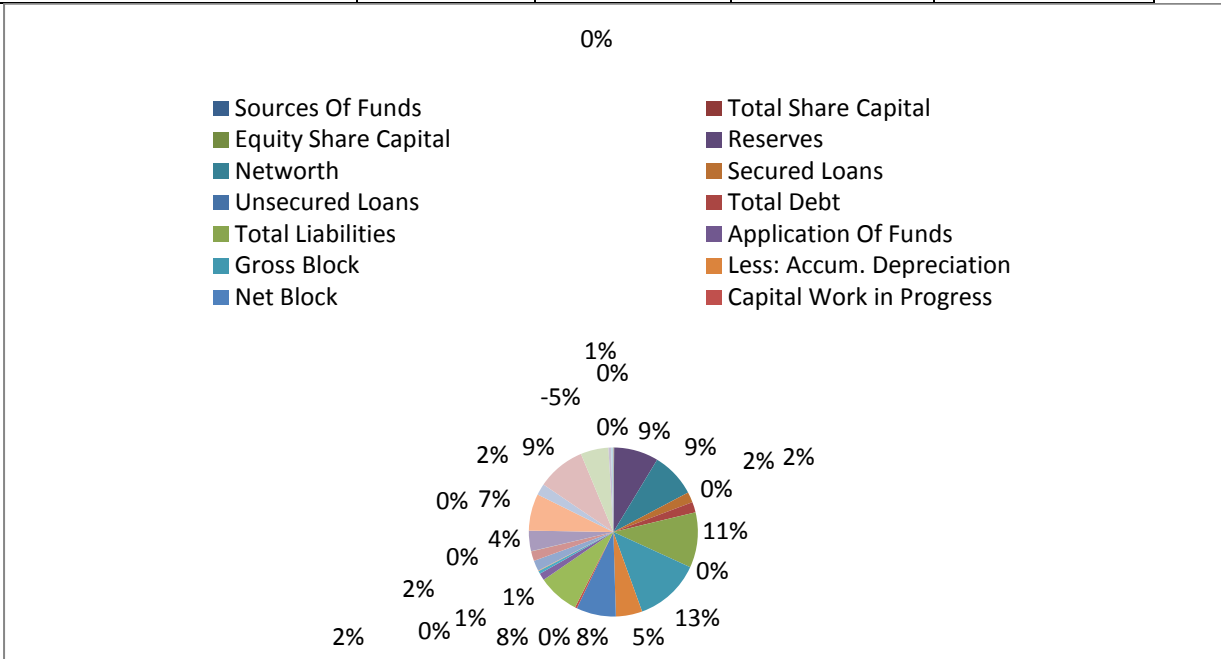
Interpretation:

The current assets are in this inventories be greater than before other current assets are 478.82 increased along with sundry debtors are increased in addition to cash moreover bank balances are greater than before as well as loans along with advances are greater than before is 933.06. The current liabilities are in this year enlarged in addition to provisions are increased in the working capital net enlarged for the company.

Comparative Statement Analysis 2015-16 of S.R.K. Industries

	Mar '16	Mar '15	ABSOLUTE INCREASE/ DECREASES	CHANGE IN %
Sources Of Funds				
Total Share Capital	39.94	39.94	0	0
Equity Share Capital	39.94	39.94	0	0
Reserves	4,249.89	2,916.14	1533.77	45.7378
Networth	4,289.83	2,956.06	1533.77	45.1399
Secured Loans	994.85	1,458.45	-463.6	-31.787
Unsecured Loans	0	32.71	-32.71	-120
Total Debt	994.85	1,491.16	-496.31	-33.283
Total Liabilities	5,284.68	4,447.22	837.46	18.8313
Application Of Funds				
Gross Block	6,310.26	5,538.46	769.8	15.8992

Less: Accum. Depreciation	2,522.75	1,458.18	1264.57	73.0068
Net Block	3,785.51	4,100.28	-294.77	-7.2243
Capital Work in Progress	193.95	145.14	68.81	54.9864
Investments	3,964.26	5,148.75	-1364.49	-22.705
Inventories	675.57	524.93	150.64	28.6972
Sundry Debtors	272.31	150.59	141.72	128.523
Cash and Bank Balance	56.1	47.75	8.35	17.4869
Total Current Assets	1,003.98	703.27	300.71	42.7588
Loans and Advances	926.99	783.48	143.51	18.317
Fixed Deposits	20.72	23.77	-3.05	-14.831
Total CA, Loans & Advances	1,951.69	1,512.52	441.17	29.2065
Deffered Credit	0	0	0	
Current Liabilities	3,520.66	5,316.40	-1795.74	-33.777
Provisions	1,110.07	1,101.07	9	0.83251
Total CL & Provisions	4,612.73	6,397.47	-1786.74	-27.929
Net Current Assets	-2,659.04	-4,886.95	2,227.91	-45.589
Contingent Liabilities	252.62	151.9	140.72	91.5239
Book Value (Rs)	214.83	148.03	66.8	45.146



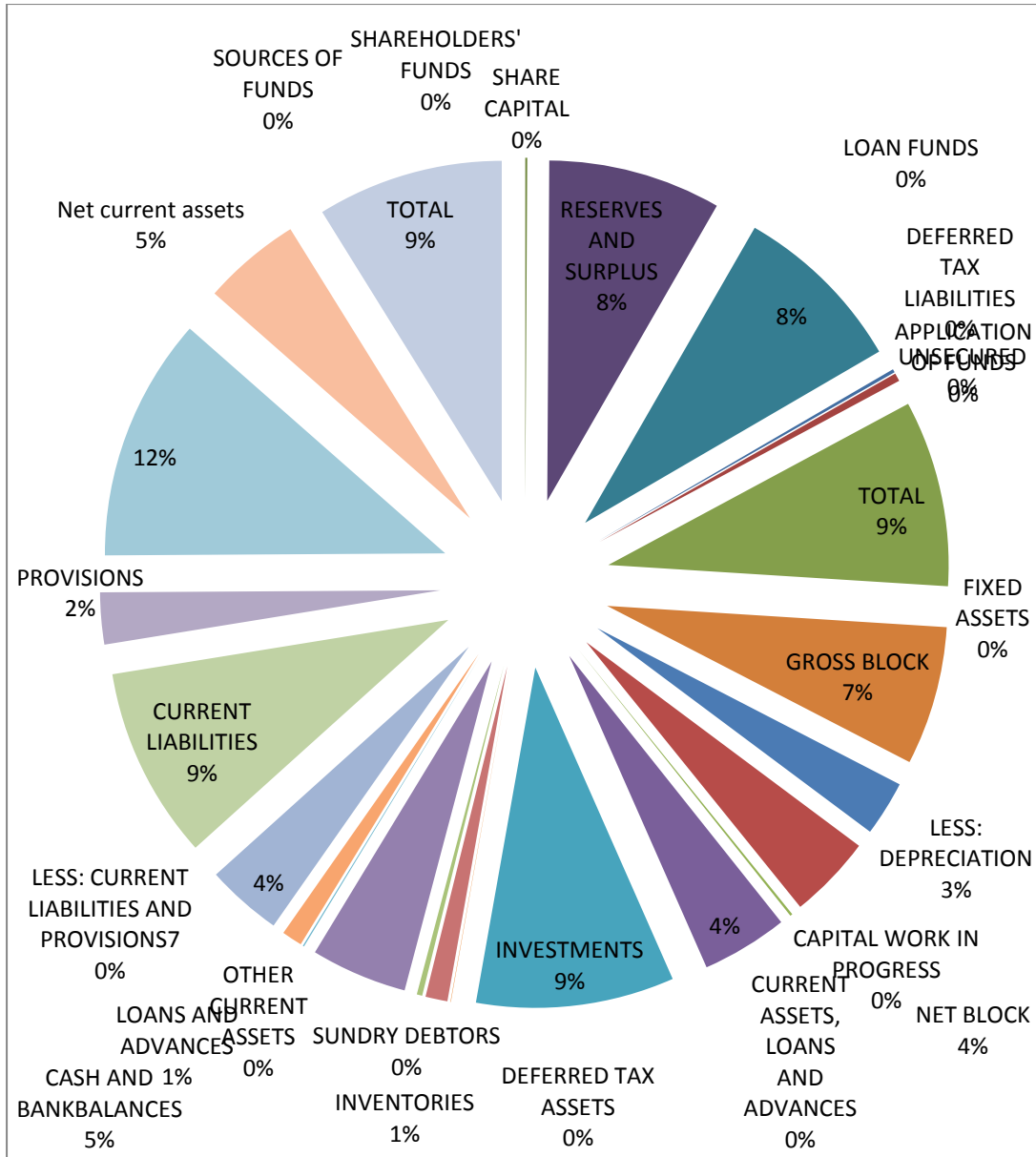
Interpretation:

The current assets are in this inventories are bigger other current assets are 441.17 increased in addition to sundry debtors are decreased along with cash furthermore bank balances are decreased in addition to loans as well as advances are increased is 1512.52. The current liabilities are in this year greater than before in addition to provisions are increased in the working capital net increased for the company.

Comparative Statement Analysis 2014-15 of S.R.K. Industries

	Mar-15	Mar-14	ABSOLUTE INCREASE/ DECREASES	CHANGE IN %
SOURCES OF FUNDS				
SHAREHOLDERS' FUNDS				
SHARE CAPITAL	39.94	39.94	0	0
RESERVES AND SURPLUS	2,916.14	3,425.10	-510.96	-14.86
	2,956.06	3,465.02	-510.96	-14.689
LOAN FUNDS				
UNSECURED	32.71	66.03	-33.32	-50.462
DEFERRED PAYMENT CREDITS (REFER NOTE 15)	1,458.45		1458.45	
DEFERRED TAX LIABILITIES	252.72	160.63	92.11	57.3305
TOTAL	4,699.94	3,691.68	1210.26	27.3137
APPLICATION OF FUNDS				
FIXED ASSETS				
GROSS BLOCK	5,538.46	2,750.98	2787.48	121.327
LESS: DEPRECIATION	1,458.18	1,112.20	365.98	33.5105
NET BLOCK	4,699.94	1,658.78	3041.16	183.337
CAPITAL WORK IN PROGRESS	145.14	48.14	77	159.95
	4,205.42	1,706.92	2498.5	146.375
INVESTMENTS	5,148.75	392,571	-387442	-98.694
DEFERRED TAX ASSETS	5.95	7.88	-1.93	-24.492
CURRENT ASSETS, LOANS AND ADVANCES				
INVENTORIES	524.93	436.4	88.53	20.2864
SUNDRY DEBTORS	150.59	128.39	22.2	20.4816
CASH AND BANKBALANCES	71.52	1,907.21	-1835.7	-96.25
OTHER CURRENT ASSETS	48.87	24.82	24.05	96.8977
LOANS AND ADVANCES	728.66	405.76	322.9	79.5791
	1,504.57	288,258	-286753	-99.478
LESS: CURRENT LIABILITIES AND PROVISIONS⁷				
CURRENT LIABILITIES	5,063.68	3,805.06	1458.62	33.0775
PROVISIONS	1,505	2,882.58	-1577.6	-47.79
	6,144.75	4,831.41	1515.34	27.1834
Net current assets	4,640.18	1,948.83	2691.35	158.121
TOTAL	4,699.94	1,948.83	2751.13	141.167

INVESTMENTS	3,925.71	3368.75	556.96	16.53315544
DEFERRED TAX ASSETS	7.88	8.65	-0.77	-8.901734124
CURRENT ASSETS, LOANS AND ADVANCES			0	
INVENTORIES	436.4	326.83	129.57	33.5250742
SUNDRY DEBTORS	128.39	149.94	-41.55	-27.71310443
CASH AND BANKBALANCES	1,907.21	219.57	1687.64	768.6135768
OTHER CURRENT ASSETS	24.82	5.89	18.93	321.3921902
LOANS AND ADVANCES	405.76	313.26	94.5	30.36047035
	1,504.57	288,258	-286753.43	-99.47804744
LESS: CURRENT LIABILITIES AND PROVISIONS7			0	
CURRENT LIABILITIES	3,805.06	1525.85	2279.21	149.3731563
PROVISIONS	1,026.35	526.97	499.38	94.76440784
	4,831.41	2052.82	2778.59	155.3547803
Net current assets	1,948.83	1,039.33	911.5	87.51029862
TOTAL	3.691.68	4032.32	-340.64	-8.447742243



INTERPRETATION:

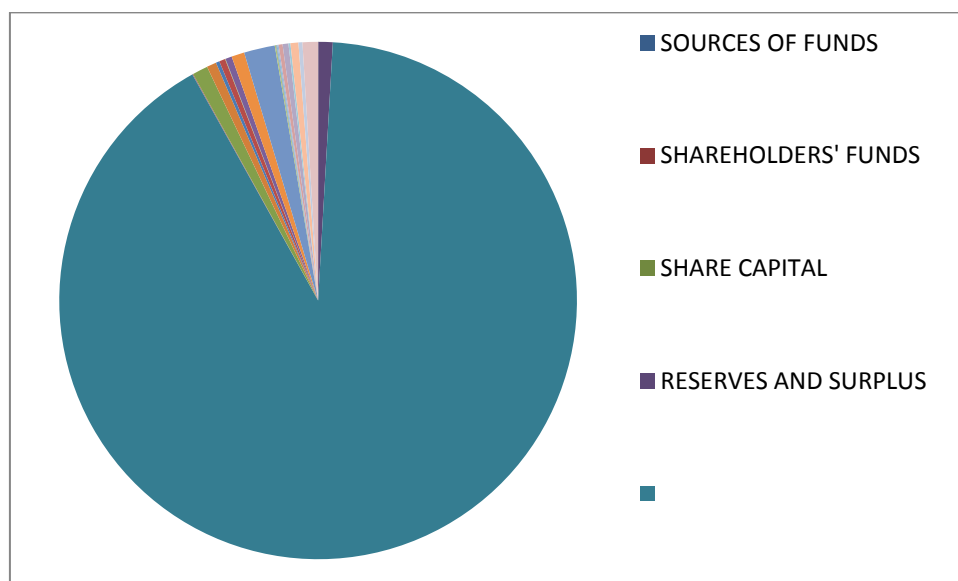
The current assets are in this inventories be improved other current assets are 2882.58 augmented in addition to sundry debtors are decreased in addition to cash and bank balances are decreased furthermore loans in addition to advances are greater than before is 3805.06. The current liabilities are in this year amplified in addition to provisions are increased in the working capital net increased for the company.

Comparative Statement Analysis 2012-13 of S.R.K. Industries

	March 31,2013	31-Mar-12	ABSOLUTE INCREASE/DECREASE	CHANGE IN %
SOURCES OF FUNDS				
SHAREHOLDER				

S' FUNDS				
SHARE CAPITAL	39.94	39.94	0	0
RESERVES AND SURPLUS	3,760.81	2,946.30	814.51	27.64518
	380,075	2,986.24	377108.76	14627.54
LOAN FUNDS			0	
UNSECURED	78.49	152	-53.51	-40.5379
DEFERRED TAX LIABILITIES	153.10	150.59	22.49	17.22184
TOTAL	4,032.32	3248.83	783.49	24.13607
APPLICATION OF FUNDS			0	
FIXED ASSETS			0	
GROSS BLOCK	2,516.27	1938.78	577.49	29.78626
LESS: DEPRECIATION	942.56	782.52	160.04	20.45187
NET BLOCK	1,573.71	1356.26	417.45	36.12347
CAPITAL WORK IN PROGRESS	140.54	392.44	-271.9	-69.2845
	1,694.25	1548.7	145.55	9.398205
PRE – OPERATIVE EXPENSES (PENDING ALLOCATION)	-	16.05	-16.05	-120
INVESTMENTS	3,368.75	2566.82	801.93	31.24216
DEFERRED TAX ASSETS	8065	5.22	8059.78	154401.9
CURRENT ASSETS, LOANS AND ADVANCES			0	
INVENTORIES	326.83	317.1	9.73	3.068433
SUNDRY	149.94	297.44	-147.5	-49.5898

DEBTORS				
CASH AND BANKBALANCES	219.57	151.11	88.48	67.49561
OTHER CURRENT ASSETS	5.89	5.69	0.2	3.514938
LOANS AND ADVANCES	313.26	185.46	145.8	67.83154
	1,015.49	936.78	76.71	8.188689
LESS: CURRENT LIABILITIES AND PROVISIONS7			0	
CURRENT LIABILITIES	1,525.85	1524.98	200.87	15.16023
PROVISIONS	526.97	499.76	27.21	5.444615
	2,052.82	1824.74	228.10	14.49931
Net current assets	1,039.33	887.96	151.37	17.04694
TOTAL	4,032.32	3248.83	783.49	24.13607



INTERPRETATION:

The current assets are in this inventories be greater than before extra current assets are 936.78 bigger as well as sundry debtors are decreased in addition to cash along with bank balances are decreased in adding together to loans furthermore advances are increased in 3248.83. The current liabilities are in this year increased furthermore provisions are greater than before in the working capital net greater than before for the company.

CHAPTER-V -FINDINGS, SUGGESTIONS & CONCLUSION

5.1 FINDNGS

- It was found that every year the sales are increases in increased manner. It shows good sign for the organization. It fluctuates only one year due to competition and heavy expenditure in fixed assets.
- The Net profit was increased every year. This was happened due to increasing of cost of goods sold every year
- In the year 2016-17, they spend more money towards packing material sealing and distribution transportation and administration expenses. The shows results in reduction of operating profit in 2016-17.
- On overall ever year cash & bank balance were increased fixed deposits receipts are decreased inventories on average are in good position.
- In the year 2016-17 they minimized the exp .of stores maintenance. But other expensed like packing materials and transportation charges increased rapidly

5.2 SUGGESTIONS

- The company should provide notes to explain items not tallying with the profit and loss and balance sheet in the Annual report.
- Instead of disclosing the combined flows of debtors and loans advances as decrease/ (increase) in trade and other receivables, their separate disclosure will be more meaningful.
- Globalization of economies and the requirement of shares from investors in capital market, diverse and demanding audience to the company, need a clear and in-depth in information about the company's financial position in Annual report.
- Comparison of basic and diluted EPS to be included in Annual report to predict the EPS sustainable in future.

5.3 CONCLUSION

The financial position of S.R.K. Industries is very alright with a prudent blend of obligation and value. The general appraisal of monetary explanation implies productive use of the speculations, credits and advances. The productivity of the organization seems, by all accounts, to be great, as made a decision by increment for possible later use and overflow. The administration dialogs and examination by Director's report and conclusions communicated by Auditor's report through money related articulations is valid and reasonable view as per the arrangements of the organizations Acts, and Accounting gauges. The in general money related position of the organization has all the earmarks of being more than tasteful.

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