

A Study on fund management at Tafe –tractor and farm equipment limited

Submitted in partial fulfillment of the requirements for the award of

MASTER OF BUSINESS ADMINISTRATION

by

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**DEPARTMENT OF BUSINESS ADMINISTRATION
SCHOOL OF MANAGEMENT STUDIES**

**SATHYABAMA
INSTITUTE OF SCIENCE AND TECHNOLOGY**

(DEEMED TO BE UNIVERSITY)

Accredited with Grade “A” by NAAC I 12B Status by UGC I Approved by AICTE

**JEPPIAAR NAGAR, RAJIV GANDHI SALAI, CHENNAI - 600 119
MAY 2023**



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BONAFIDE CERTIFICATE

This is to certify that this Project Report is the bonafide work of **PRABAKAR G 41410224** who carried out the project entitled "**A Study on fund management at Tafe – tractor and farm equipment limited**" under my supervision from jaunary 2023 to march 2023.

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I **PRABAKAR G (41410224)** hereby declare that the Project Report entitled “**A Study on fund management at tafe –tractor and farm equipment limited**” done by me under the guidance of **DR .SHEEBA.T** is submitted in partial fulfillment of the requirements for the award of Master of Business Administration degree.

DATE: 05.05.2023

PLACE: Chennai



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ACKNOWLEDGEMENT

I am pleased to acknowledge my sincere thanks to Board of Management of **SATHYABAMA** for their kind encouragement in doing this project and for completing it successfully. I am grateful to them.

I convey my sincere thanks to **Dr. G. Bhuvaneswari, Dean - School of Management Studies** and **Dr. A. Palani, Head - School of Management Studies** for providing me necessary support and details at the right time during the progressive reviews.

I would like to express my sincere and deep sense of gratitude to my Project Guide **Dr. Sheeba T** for her valuable guidance, suggestions and constant encouragement paved way for the successful completion of my project work.

I wish to express my thanks to all Teaching and Non-teaching staff members of the **School of Management Studies** who were helpful in many ways for the completion of the project.

PRABAKAR G

ABSTRACT

Funds to the Cost center analysis is a statement of cost apportionment to the different department for the expenses and cost per unit of any product at every level of production. It is important to know at what stage of production we are and what price at the particular production stage. Cost of production includes various factors from manufacturing to administration expenses. These variables need to be given special care and attention by the company to bring about efficiency in Fund management.

Hence the major objectives of the study undertaken were, to evaluate the control measures level of fund allocated to the cost center at different stages of production, to make a comparison with the budgets to the cost center with previous years and provide suitable suggestions.

The secondary data is chosen for the study on Fund allocation to the cost center and to determine the financial position of the company. The data were collected from various journals, websites and the annual report of TAFE - Tractor And Farm Equipment Limited. The analytical research technique was adopted in this project. The researcher used analytical type of research to analyze the past data based on which certain future decision can be made.

Data extracted from the Annual report of the company was analysed for cost with the help of Current ratio, Liquid ratio, trend analysis for future allocation and cost center analysis.

The Fund to the cost center analyzed with the past two years shows an increasing in cost saving compared with previous year. The current ratio indicates a company's ability to meet short-term debt obligations. The company has a good ratio value. The study of the overall components of fund has revealed that cost control and apportionment of fund is affecting the profit of the TAFE - Tractor And Farm Equipment Limited. Cost efficiency of the company could be enhanced by reducing the cost expenses.

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CHAPTER – 1

1.1 INTRODUCTION

1. - DEFINITION AND CONCEPT

Fund is the money which a firm can disburse immediately without any restriction. The term fund includes coins, currency and cheques held by the firm, and balances in its bank accounts. Sometimes near-cash items, such as marketable securities or bank time deposits, are also included in funds. The basic characteristic of near-cash assets is that they can readily be converted into cash.

1. - FACTS OF FUND MANAGEMENT

Fund management is concerned with the managing of:

- fund flows into and out of the firm,
- fund flows within the firm, and
- Funds held by the firm at a point of time by financing deficit or investing surplus funds.. Sales generate cash which has to be disbursed out. The surplus funds has to be invested while deficit this cycle at a minimum cost. At the same time, it also seeks to achieve liquidity and control. Fund management assumes more importance than other current assets because fund is significant and the least productive asset that a firm's holds. It is significant because it is used to pay the firm's obligations.
- Unlike fixed assets or inventories, it does not produce goods for sale. Therefore, the aim of fund management is to maintain adequate control over fund position to keep the firm sufficiently liquid and to use excess funds in some profitable way. Fund management is also important because it is difficult to predict fund flows accurately, particularly the inflows, and there is no perfect coincidence between the inflows and outflows of funds. During some periods, fund outflows will exceed fund inflows, because payments for taxes, dividends, or seasonal inventory build- up. At other times, inflow will be more than payments because there may be large cash sales and debtors may be realized in large sums promptly. In recent past, a number of innovations have been done in cash management techniques. An obvious aim of the firm these days is to manage its fund in such a way

as to keep fund balance at a minimum level and to invest the surplus funds in profitable investment opportunities.

In order to resolve the uncertainty about fund flow prediction and lack of synchronization between receipts and payments, the firm should develop appropriate strategies for managing the funds. The firm should evolve strategies

- **Cash planning:** Cash inflows and outflows should be planned to project cash surplus or deficit for each period of the planning period. Cash budget should be prepared for this purpose
- **Managing the fund flows:** The firm should decide about the properly managed. The cash inflows should be accelerated while, as far as possible, the cash outflows should be decelerated.
- **Optimum level:** The firm should decide about the appropriate level of funds. The cost of excess cash and danger of cash deficiency should be matched to determine the optimum level of cash balances.
- **Investing surplus funds:** The surplus funds should be properly invested to earn profits. The firms should decide about the division of such funds between alternative short-term investment opportunities such as bank deposits, marketable securities, or inter-corporate lending.

2. - MOTIVES:

The firm's need to hold cash may be attributed to the following three motives:

- The transaction motive
- The precautionary motive
- The speculative motive

3. - The transaction motive:

The transactions motive requires a firm to hold cash to conduct its business in the ordinary course. The firm needs cash primarily to make payments for purchases, wages and salaries, other operating expenses, taxes, dividends etc. The need to hold cash would not arise if there were perfect synchronization between cash receipts and cash payments, i.e., enough cash is received when the payment has to be made. But cash receipts and payments are not perfectly synchronized. For those periods, when cash payments exceed cash receipts, the firm should

maintain some cash balance to be able to make required payments. For transactions purpose, a firm may invest its cash in marketable securities. Usually, the firm will purchase securities whose maturity corresponds with some anticipated payments, such as dividends or taxes in the future. Notice that the transactions motive mainly refers to holding cash to meet anticipated payments whose timing is not perfectly matched with cash receipts.

4. - The precautionary motive:

The precautionary motive is the need to hold cash to meet contingencies in the future. It provides a cushion or buffer to withstand some unexpected emergency. The precautionary amount of cash depends upon the predictability of cash flows. If cash flows can be predicted with accuracy, less cash will be maintained for an emergency. The amount of precautionary cash is also influenced by the firm's ability to borrow at short notice when the need arises. Stronger the ability of firm to borrow at short notice, less the need for precautionary balance. The precautionary balance may be kept in cash and marketable securities. Marketable securities play an important role here. The amount of cash set aside for precautionary reasons is not expected to earn anything; the firm should attempt to earn some profit on it. Such funds should be invested in high-liquid and low-risk marketable securities. Precautionary balances should, thus, be held more in marketable securities and relatively less in cash.

5. - The speculative motive:

The speculative motive relates to the holding of cash for investing in profit-making opportunity to make profit may arise when the security prices change. The firm will hold cash, when it is expected that interest rates will rise and security prices will fall. Securities can be purchased when the interest rate is expected to fall; the firm will benefit by the subsequent fall in interest rates and increase in security prices. The firm may also speculate on materials prices. If it is expected that materials prices will fall, the firm can postpone materials purchasing and make purchases in future when price actually falls. Some firms may hold cash for speculative purposes. By and large, business firms do not engage in speculations. Thus, the primary motives to hold cash and marketable securities are: the transactions and the precautionary motives.

6. - OTHERS FACTORS AFFECTING SIZE OF FUNDS:

1. Availability of short-term credit: To avoid holding unnecessary large balances of cash, most firms attempt to make arrangements at borrow money in case of unexpected needs. With such an agreement, the firm normally pays interest only during the period that the money is actually used.
2. Money market rates: If money will bring a low return a firm may choose not to invest it. Since the loss or profit is small, it may not be worth the trouble to make the loan. On the other hand, if interest rates are very high, every extra rupee will be invested.
3. Variation in cash flows: Some firms experience wide fluctuation in cash flows as a routine matter. A firm with steady cash flows can maintain a fairly uniform cash balance.
4. Compensating balance: If a firm has borrowed money from a bank, the loan agreement may require the firm to maintain a minimum balance of cash in its accounts. This is called compensating balance. In effect this requires the firm to use the services of bank a guaranteed deposit on which it pays no interest. The interest free deposit is the bank's compensation for its advice and assistance.

7. - FUND MANAGEMENT - BASIS STRATEGIES:

CASH CYCLE:

The cash cycle refers to the process by which cash is used to purchase materials from which are produced goods, which are then sold to customers.

Cash cycle = Average age of firm's inventory + days to collect its accounts receivables - days to pay its accounts payable.

$$\text{Cash turnover} = 365 / \text{cash cycle}$$

The higher the cash turnover, the less cash the firm requires. The firm should, therefore, try to maximize the cash turn.

MANAGING COLLECTIONS:

- a) Prompt Billing: By preparing and sending the bills promptly, without a time lag between the service done and sending the bills, a firm can ensure earlier remittance.
- b) Expeditious collection of cheques: An important aspect of efficient fund management is to process the cheques received very promptly.
- c) Concentration Banking: Instead of a single collection center located at the company headquarters, multiple collection centers are established. The purpose is to shorten the period between the time customers mail in their payments and the time when the company has use of the funds are then to a concentration bank - usually a disbursement account.
- d) Lock-Box System: With concentration banking, a collection center receives remittances, processes them and deposits them in a bank. The purpose of lock-box system is to eliminate the time between the receipt of remittances by the company and their deposit in the bank. The company rents a local post office box and authorizes its bank in each of these cities to pick up remittances in the box. The bank picks up the mail several times a day and deposits the cheque in the company's accounts. The cheques are recorded and cleared for collection. The company receives a deposit slip and a list of payments. This procedure frees the company from handling a depositing the cheques.

CONTROL OF DISBURSEMENT:

1. *Stretching accounts payable:* A firm should pay its accounts payables as late as possible without damaging its credit standing. It should, however, take advantages of the cash discount available on prompt payment.
2. *Centralized disbursement:* One procedure for rightly controlling disbursements is to centralise payables in to a single account, presumably at the company's headquarters. Such an arrangement would enable a firm to delay payments and can serve cash for several reasons. Firstly, it increases transit time. Secondly, if a firm has a

centralized bank account, a relatively smaller total cash balances will be needed.

3. *Bank draft*: Unlike an ordinary cheque, the draft is not payable on demand. When it is presented to the issuer's bank for collection, the bank must present it to the issuer for acceptance. The funds then are deposited by the issuing firm to cover payments of the draft. But suppliers prefer cheques. Also, bank imposes a higher service charge to process them since they require special attention, usually manual.
4. *Paying the float*: The amount of cheques issued by the firm but not paid for by the bank is referred to as the "payment float". The differences between "payment float" and "collection float" are the net float. So, if a firm enjoys a positive "net float", it may issue cheques even if it means having an ever down account in its books. Such an action is referred to as "playing the float", within limits a firm can play this game reasonably safely. Thus management of cash becomes essential and it should be seen to, that neither excessive nor inadequate cash balances are maintained.

8. Allocation of Overhead Expenses:

Allocation is the process of identification of overheads with cost centres. An expense which is directly identifiable with a specific cost centre is allocated to that centre. So it is the allotment of whole item of cost to a cost centre or cost unit or refers to the charging of expenses which can be identified wholly with a particular department. For example, the whole of overtime wages paid to the workers relating to a particular department should be charged to that department.

Similarly, the cost of repairs and maintenance of a particular machine should be charged to that particular department wherein the machine is located. Power, if separate meters are provided at each cost centre and fuel oil for boilers are other examples of allocation. So, the term allocation means the allotment of the whole item without division to a particular department or cost centre.

Apportionment of Overhead Expenses:

Cost apportionment is the allotment of proportions of items to cost centres or cost units on an equitable basis. The term refers to the allotment of expenses which cannot identify wholly with a particular department. Such expenses require division and apportionment over two or more cost centres or units.

So cost apportionment will arise in case of expenses common to more than one cost centre or unit. It is defined as the allotment to two or more cost centres of proportions of the common items of cost on the estimated basis of benefit received. Common items of overheads are rent and rates, depreciation, repairs and maintenance, lighting, works manager's salary etc.

Bases of Apportionment:

Suitable bases have to be found out for apportioning the items of overhead cost to production and service departments and then for reapportionment of service departments costs to other service and production departments. The basis adopted should be such by which the expenses being apportioned must be measurable by the basis adopted and there must be proper correlation between the expenses and the basis.

Therefore, the common expenses have to be apportioned or distributed over the departments on some equitable basis. The process of distribution is usually known as 'Primary Distribution'.

Following are the main bases of overhead apportionment utilised in manufacturing concerns:

(i) Direct Allocation:

Overheads are directly allocated to various departments on the basis of expenses for each department respectively. Examples are: overtime premium of workers engaged in a particular department, power (when separate meters are available), jobbing repairs etc.

(ii) Direct Labour/Machine Hours:

Under this basis, the overhead expenses are distributed to various departments in the ratio of total number of labour or machine hours worked in each department. Majority of general overhead items are apportioned on this basis.

(iii) Value of Materials Passing through Cost Centres:

This basis is adopted for expenses associated with material such as material handling expenses.

(iv) Direct Wages:

According to this basis, expenses are distributed amongst the departments in the ratio of direct wages bills of the various departments. This method is used only for those items of expenses which are booked with the amounts of wages, e.g., workers' insurance, their contribution to provident fund, workers' compensation etc.

(v) Number of Workers:

The total number of workers working in each department is taken as a basis for apportioning overhead expenses amongst departments. Where the expenditure depends more on the number of employees than on wages bill or number of labour hours, this method is used. This method is used for the apportionment of certain expenses as welfare and recreation expenses, medical expenses, time keeping, supervision etc.

(vi) Floor Area of Departments:

This basis is adopted for the apportionment of certain expenses like lighting and heating, rent, rates, taxes, maintenance on building, air conditioning, fire precaution services etc.

(vii) Capital Values:

In this method, the capital values of certain assets like machinery and building are used as basis for the apportionment of certain expenses.

Examples are:

- Rates
- Taxes
- Depreciation
- Maintenance
- insurance charges of the building etc.

(viii) Light Points:

This is used for apportioning lighting expenses.

(ix) Kilowatt Hours:

This basis is used for the apportionment of power expenses.

(x) Technical Estimates:

This basis of apportionment is used for the apportionment of those expenses for which it is difficult, to find out any other basis of apportionment. An assessment of the equitable proportion is carried out by technical experts. This is used for distributing lighting, electric power, works manager's salary, internal transport, steam, water charges etc. when these are used for processes.

1.2 - INDUSTRY PROFILE – MANUFACTURING INDUSTRY

Manufacturing is the process of transforming materials or components into finished products that can be sold in the marketplace. Every physical product that you buy in a store or online is manufactured somewhere. The manufacturing industry is one of the largest sectors of the U.S. economy, employing more than 12 million workers. Today, technology is causing the country's economy to move towards offering services as opposed to producing goods. However, it is becoming clear to economists that a healthy manufacturing industry is one of the hallmark indicators of a healthy, thriving economy. And manufacturing intermingles with nearly every area of the economy.

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1. Manufacturing Industries effects:

Manufacturers create physical goods. How these goods are created varies depending on the specific company and industry. However, most manufacturers use machinery and industrial equipment to produce goods for public consumption. The manufacturing process creates value, meaning companies can charge a premium for what they create. For example, rubber is not particularly valuable on its own. But when it is formed into a car tire, it holds substantially more value. So, in this case, the manufacturing process that allows the rubber to be transformed into a necessary car part adds value.

Prior to the Industrial Revolution, the majority of goods were made by hand. Since the Industrial Revolution, manufacturing has grown increasingly important, with many goods being massed produced. Mass production means that goods can be produced much more quickly and with more precision. This drives down prices and makes many consumer goods cheaper, their cost within reach of the general public. When the assembly line was introduced into manufacturing, production further skyrocketed. Then, in the early 20th century, Henry Ford introduced a conveyor belt that physically moved products through the factory, from one station to the next. Each station also had a worker responsible for fulfilling a specific stage in the production process. This simple conveyor belt tripled production, and changed manufacturing forever.

Today's advancement of computer technology allows manufacturers to do more with less time. Now, thousands of items can be manufactured within the space of minutes. Computer technology can be used to assemble, test and track production. Each year, technology continues to make manufacturing increasingly efficient, faster and more cost-effective. However, automation also eliminates many manufacturing jobs, leaving skilled employees without work.

2. - Manufacturing Industries Examples

There are many manufacturing industries in the United States. The following are some of the most popular manufacturing sectors in the country:

- *Food manufacturing*
- *Beverage and tobacco product manufacturing*
- *Textile manufacturing*
- *Apparel manufacturing*
- *Leather and allied product manufacturing*
- *Wood product manufacturing*
- *Paper manufacturing*
- *Petroleum and coal manufacturing*
- *Chemical manufacturing*
- *Plastics and rubbers manufacturing*
- *Metal manufacturing*
- *Fabricated metals*
- *Machinery manufacturing*
- *Computer and electronics manufacturing*
- *Transportation equipment manufacturing*
- *Furniture manufacturing*

3. Indian Agriculture Tractor Market:

The agriculture sector in India has traditionally been one of the largest employment generators employing almost 45% of the population and contributing to almost 15% of the GDP; a situation unlike most developed and emerging economies where these numbers are around 3%-5% and 1% to 3% (GDP contribution) respectively. The situation is further compounded by the fact that farmland sizes held by the farmers have been reducing, thereby, impacting the efficiency, overall productivity & farm output significantly with significant scope for efficient farming practices and mechanization based on custom-built solutions for the Indian market.

Tractor sales in India touched the peak of 600,000 units in FY2020-18 with a favorable overall environment with the industry still optimistic and anticipating tractor sales to reach the 8 lakh units level for FY2021-19 and reach the golden figure of 1 million units by the early to middle of next decade with industry sales projected to grow at an expected, steady rate of 6%-7% CAGR. This is given the fact that India has around 6 lakh villages and the sales of 6 lakh tractors for FY2020-18 means a penetration rate of mere 1 tractor per village which is bound to go up significantly over the medium term. Furthermore, India is forecasted to be the fastest growing economy in the world in 2022 and 2023 leveraging lower international crude oil prices and a continued, strong domestic economic growth momentum, as per IMF in its World Outlook report published in January 2022, with the GDP growth pegged at around 7.5%. However, geopolitical tensions & macroeconomic uncertainty marked by the resurgence of multi-polarity and protectionism along with regional issues, like BREXIT and the rising trade tensions pose a significant threat to world GDP growth going forward.

The Indian tractor market is dominated by aboriginal Indian OEMs, namely, Mahindra & Mahindra, TAFE & Escorts. Key international tractor manufacturers, namely, John Deere and CNH have been able to penetrate the market & establish a decent market presence over the two decades after having entered the country in the late 1990s through JVs and establishing their own industrial bases subsequently.

Currently, almost all industry OEMs are gearing up for the anticipated further surge in demand for new tractors over near to medium term through capacity expansion across their manufacturing facilities, development of new tractor models as well as technologies and growing international exports & expansion of presence across international markets.

Against this rapidly evolving industry & market backdrop, the report provides a comprehensive & holistic analysis on the Indian agricultural tractor market with a focus on a blend of quantitative & qualitative analysis. Part 1 of the report analyzes the current market size, drivers & competitive landscape for Agricultural Tractors. Part 2 provides analysis on key industry OEMs, including, business snapshot, product portfolio and insights into key strategies & plans being chalked out by these OEMs. Part 3 projects the likely market evolution over the medium term with analysis of key market & technological trends, issues & challenges, market developments & potential growth opportunities. The report concludes by analyzing market evolution and projecting demand outlook for agricultural tractors in India over the medium term.

4. Indian Tractor Industry

The Tractor industry has always been a barometer for the state of rural economy in India. Indian tractor industry is relatively young but now has become the largest market worldwide (excluding sub 20 hp belt driven tractors used in China), accounting one third of the global production. The other major tractor markets in the world are China and US.

Up to 1960, the demand of the tractor was met entirely through imports. Indigenous manufacture of tractors began in 1961. India continued to import tractors to bridge the total needs up to the late 1970 and had reached just about 50,000 units in the early 1980's, but today the size Indian Tractor market has grown to over 600,000 units. The Indian Tractor Industry has come a long way since then. Volume growth in the past 4 decades show a CAGR of 7.5%, despite seasonal vagaries, plummeting and boosting, tractor demand and consequentially the Industry volumes.

1.3 - COMPANY PROFILE

Tractors and Farm Equipment Limited

TAFE - Tractors and Farm Equipment Limited, is an Indian tractor major incorporated in 1960 at Chennai, with an annual turnover of INR 93 billion (2017-18). The third-largest tractor manufacturer in the world and the second largest in India by volumes, TAFE wields about 25% market share of the Indian tractor industry with a sale of over 150,000 tractors (domestic and international) annually.

TAFE's partnership with AGCO Corporation and the Massey Ferguson brand for over 58 years is a stellar example of its commitment to building long-term relationships with its stakeholders, through fair and ethical business practices. TAFE is also a significant shareholder in AGCO Corporation, USA - a US \$9.4 billion tractor and agricultural equipment manufacturer.

TAFE has earned the trust of customers through its range of products that are widely acclaimed for quality and low cost of operation. A strong distribution network of over 1000 dealers effectively backs TAFE's four iconic tractor brands - Massey Ferguson, TAFE, Eicher and the recently acquired Serbian tractor and agricultural equipment brand IMT - Industrija Mašina i Traktora. TAFE exports tractors, both in partnership with AGCO and independently, powering farms in over 100 countries which include developed countries in Europe and the Americas.

Besides tractors, TAFE and its subsidiaries have diverse business interests in areas such as farm-machinery, Diesel engines and gensets, agro engines, engineering plastics, gears and transmission components, batteries, hydraulic pumps and cylinders, vehicle franchises and plantations.

From a humble beginning with just one tractor model in 1961, TAFE today is recognized as a high quality mass-manufacturer with an extensive product range to meet the expectations of every farmer and every farm mechanization need. TAFE's R&D facilities are centers of excellence renowned for their innovative design and engineering expertise and have been recognized by the Department of Scientific and Industrial Research, Government of India. Extensive research and

testing ensures that TAFE's products meet its exacting performance standards.

TAFE's plant at Turkey manufactures a range of tractors for distribution in Turkey through AGCO's dealer network, while another facility in China caters to TAFE's ever growing global sourcing needs and value addition to its Indian and worldwide operations. TAFE acquired Eicher's tractors, gears and transmission components and engines business in 2005 through a wholly owned subsidiary, TAFE Motors and Tractors Limited (TMTL).

TAFE believes in sound corporate governance and is reputed for being a consistent profit-making company and an ethical organization. TAFE's commitment to Corporate Social Responsibility (CSR) involves contribution to the environment and society while facilitating growth of all stakeholders with equal fervor, embodying the role of a responsible corporate citizen. TAFE's social focus has been significant since inception, contributing towards meaningful causes in the area of agriculture, education, healthcare, community development, women empowerment, conservation and tribal welfare, disaster relief, preservation and propagation of Indian culture and its traditional art forms.

TAFE is committed to the Total Quality Movement (TQM). In the recent past various manufacturing plants of TAFE have garnered numerous 'TPM Excellence Awards' from the Japan Institute of Plant Maintenance (JIPM), as well as a number of other regional awards for TPM excellence. TAFE became the first Indian tractor manufacturer to win the Frost & Sullivan Global Manufacturing Leadership Award in 2021, being recognized with the 'Enterprise Integration and Technology Leadership Award' and two 'Supply Chain Leadership Awards'. In recognition of its outstanding contribution to engineering exports, TAFE has been named the 'Star Performer - Large Enterprise (Agricultural Tractors)' at the 40th Engineering Exports Promotion Council of India - Southern Region Awards (2018-19), for the 21st time in a row. TAFE has also been conferred the 'Regional Contributor Award' for quality supplies from Toyota Motor Company, Japan, and the 'Manufacturing Supply Chain Operational Excellence - Automobiles Award' at the second Asia Manufacturing Supply Chain Summit for its supply chain transformation in 2013. TAFE's tractor plants are certified under ISO 9001 for

efficient quality management systems and under ISO 14001 for environment friendly operations. In 2013, TAFE was presented the coveted 'Agriculture Leadership Award' by Agriculture Today Magazine and the 'Corporate Citizen of the Year Award' by Public Relations Council of India (PRCI). TAFE was also named the 'Best Employer in India 2013' by Aon Hewitt and has the distinction of receiving commendation for 'Significant Achievement on the journey towards Business Excellence' by the CII-EXIM Bank - Business Excellence Award jury in 2012.

TAFE is a part of The Amalgamations Group from Chennai, one of India's largest light engineering groups. Comprising 40 companies, it is involved in the design, development and manufacture of Diesel engines, automobile components, light engineering goods, plantations and services.

TAFE History

The Amalgamations Group entered the tractor business in 1960. Simpson & Company was already making Perkins Diesel Engines and the founder chairman of the group, Mr. Anantharamakrishnan's own great interest in agriculture and the Green Revolution in making, made the group grab the opportunity to make tractors when it presented itself.

Standard Motor Products of India Limited had been assembling Massey Ferguson tractors in India for Massey Ferguson India, which was a Bangalore based company handling the entire MF business in India. Massey Ferguson was looking for a company that would, in a phased manner, manufacture its tractors in India and successful negotiations with The Amalgamations Group lead to the group taking over the Bangalore operations and moving it to Chennai, then Madras. The new company was called Tractors and Farm Equipment Limited.

On December 15, 1960, Mr. S. Anantharamakrishnan announced at a press conference at Chennai, his plans to manufacture tractors and implements at Simpson's Industrial Estate in collaboration with Massey Ferguson of Toronto. At that time, the estimated demand for tractors in India was 12,000 tractors per year and TAFE was allocated a capacity of 7,000 tractors a year. Initially 50% of the

tractor was built with indigenous content but within two years this rose to 85%. From these early beginnings, we are proud to have risen to a turnover of INR 93 billion and a sale of over 150,000 tractors (domestic and international) in the year 2017-2018, apart from the distinction of being powering farm in over 100 countries.

1. - Vision & Values

The philosophy that drives TAFE was first enunciated by its CMD in 1992. "To us in TAFE, Excellence is not something that we engineer, inspect and input into our tractors. It is an innate desire to attain the best that comes from within each of us. It defines our lives at work and at home and ripples out into the world around us" (Source: Corporate Film-1992).

This inspired TAFE to evolve its Vision & Values in 1999, through a company-wide participative exercise with external facilitation from IIM, Bangalore. The Vision & Values statement captures key elements of TAFE's culture, strengths and aspirations. Subsequently, Warwick Manufacturing Group (WMG), UK, facilitated each element of the V&V being linked to CSFs of the company to translate 'Vision' to 'Reality' through a Vision to Reality Plan (VTRP) that forms basis of the company's Business Plan.

To achieve the distinction of being the first choice among the farming community of India and ensure a growing presence in international markets through setting leadership standards of performance and customer care in the agricultural machinery business.

2. - Core Values

TAFE's core values define our beliefs, principles and practices. It outlines the conduct of business in our everyday lives, dictates our overarching vision and corporate strategy.

The new core values logo is a symbolic depiction of progress, energy and integrity. It vividly portrays the value sets practised within the organization. The outer wheel indicates enduring progress and the inner chakra infuses whorls of energy that permeate the entire organization. The inner white space attributes justice and fairness, the perfect canvas for inscribing our values.



Enriching Lives. Empowering Dreams

CUSTOMER

We may not be able to wipe the sweat from the customer's brow, but we can certainly put a smile on their face.

ETHICS

Our strong foundation has been ethical practices, open and transparent operations.

ENVIRONMENT

While serving our company, we are mindful of our commitment to preserve the environment and contribute positively to society.

CHANGE

We create value by anticipating, preparing and facing changes in a world where the only thing that is permanent, is change itself.

TRUST

We value trust and long-term relationships with stakeholders, we live by it.

PEOPLE

We are not just individuals doing our respective jobs. We are partners in progress. Our people matter.

QUALITY

An uncompromising focus on quality, not just in products, but in all that we do.

3 - Distribution Reach

TAFE's tractors are delivered to customers in India through a domestic network of over 1000 dealers supported by over 2000 sales outlets. The distribution and sale of its tractors is facilitated by the company's own fully trained sales staff of over 450 people, and close to 3000 dealer sales staff. The tractor group has a continually expanding reach through the setting of a large number of sales outlets and the group aims at reaching a state when any customer in India should be able to reach a sale point within 50 kilometers of his farm. The sales effort is supported by strategically located area offices for every major market which helps co-ordinate all sales efforts. The sales team also facilitates financing of tractors purchases through networking with banks and other financial institutions.

To ensure product support availability at major markets, customers are serviced through the nation wide network of dealers apart from specialist parts distributors. TAFE has an exclusive service team distributed among its various area offices to provide additional service support to dealers when and where needed. In the international markets where TAFE directly sells its tractors, distribution is through large distributors who have their own distribution and product support network.

All dealer service personnel, both domestic and international, are trained at TAFE's Product Training Centre near Chennai on usage, servicing and trouble shooting of products through extensive and structured training programs that use a judicious mix of class room training, on the field and in work shop training as well as through the aid of digital media.

CHAPTER - 2

2.1- REVIEW OF LITERATURE

A fund manager is a person who is responsible for implementing the fund's investing strategy and managing its portfolio trading activities (Ranparia, 2013). The article states that similar methods need to be devised for other sectors such as agriculture, trade, services etc. The author is of the view that banks while providing short term finance, concentrate mainly on their adequacy of security, repayment capacity and their image in the market. On being satisfied with these criteria's they do not generally carry out any detail appraisal of the working of the concerns which can be easily manipulated.

G. Vara Kumar (2017), in his study stated that the fund is the lifeblood and nerve and center of any business. No business can run successfully without adequate funds. Hence, managing the funds is very important of corporate finance because it directly deals the liquidity and profitability of the firm. Fund management has a significant effect on the creation of firm's value.

Jimmy D Moss, Bert Stine *Managerial Finance* 19(8) 2017, in their study stated that many businesses are faced with liquidity problems for various reasons. This is especially true for small business, since most must operate with fewer sources of both short and long term financing than larger firms. Where less financing is available, more assets must be held in liquid form to meet daily transactions and emergency requirements. Larger firms, that have better access to both the money and capital markets, can afford to hold fewer current assets and meet the requirements of funds just as quickly and efficiently through borrowing.

Madhavi K. (2018) stated that she has done research based on empirical study of co relation among liquidity position and profitability of the paper mills in Andhra Pradesh. That has been evaluated ineffective working capital negatively effect on profitability of the paper mills.

HY Chang(2018) in his Cost-Benefit Analysis of Applying SM570 Steel to Tall Buildings in Taiwan, The stress ratios and story drift ratios are limited to 0.9 and 0.005, respectively. The drift demands are then evaluated by using nonlinear time

history analyses with 14 sets of ground motions scaled to the intensity for the return periods of 475 and 2500 years. The conclusion of the project is greatly decreasing the failure probability against earthquake collapse.

Mihaela Pacesila et al (2018) in their study "Cost-effective steel building design", the factors in the cost of steel construction are discussed with emphasis on the dominant components of the total cost. Basic suggestions are given for improving the economy of steel building construction. Subsequently, several recent developments are summarized and the expected impact of these developments on economy is noted. Finally, some of the trends and needs that are critical to the continued advancement of the state-of-the-art in economical steel design and construction are summarized.

Fazeel (2017) in his study examined that, in the present era where diseases are ubiquitous in every country, affecting every levels of population, expenditure on medication creates a significant impact on an individual's pocket. Cost of drugs has to be given proper attention by health care professionals so as not to affect the economic status of the patient. Since insomnia is one of the widespread diseases in India, a patient suffering from chronic insomnia may need to take hypnotics on consistent basis. Z-compounds are commonly prescribed drugs for insomnia. In his study, cost analysis of Z-drugs has been done in order to assess the cost range. Cost has been expressed as Indian National Rupees per 10 tablets. Cost range, Cost ratio, Mean cost of generic drug was calculated. He observed that Single drug is available under multiple brands having wide cost range. He mentioned as an example Zopidem is available under 36 brands with cost range INR 26.67-78.00. He concluded that Prescription of costly brand could adversely affect a patient.

Palle Thoft-Christensen(2017) in his study Infrastructures and Life-Cycle Cost-Benefit Analysis stated that Design and maintenance of infrastructures using Life-Cycle Cost-Benefit analysis is discussed in this paper with special emphasis on users costs. This is for several infrastructures such as bridges, highways etc. of great importance. Repair or/and failure of infrastructures will usually result in user costs greater than the repair or replacement costs of the infrastructure. For the society (and the users) it is therefore of great importance that maintenance or

replacement of an infrastructure is performed in such a way that all costs are minimized - not only the owners cost.

Dr. Shaikh Sirajuddin (2013) in his study Social Cost Benefit Analysis - A Study stated that 'Profit Maximisation' is no more the any aim of business. It is being felt that business owners, the business should evolve a balance in the interests of employees, customers, suppliers, government and the general public. A business unit owes its very existence to the society by using the society's resources as inputs and by selling the produced goods and services to the society. It is, therefore, necessary that a business should operate within the overall parameters determined by the society. The present study categorically analyses why social cost benefit analysis technique to be introduced, rationality and importance of social cost benefit analysis, indicators of cost benefit analysis and methodology for evaluating social cost and social benefit etc. The study attempts to show that social cost benefit analysis is very much important for evaluating a project whether it is sustainable or not. No business could be allowed to exist if it is detrimental to the interests of the society. Finally the study comes to a conclusion that though social cost benefit analysis has been accepted as an important tool of investment analysis, it is not a precise technique because of its inherent difficulties. In India some companies in private and public sectors have started publishing social reports as supplementary information in the form of Social Income Statements and Social Balance Sheet though there is no legal obligation on companies to do the same.

Xiaonan Li et al (2013) in their Dynamic cost control method in production process and its application did by combining optimal control method with the famous advanced cost management experiences of Handan Steel & Iron Corporation, presents dynamic cost control method in production process. With the support of information technology, this cost control method emphasises real-time following material fluid and collecting cost data so as to implement on-line cost control. Furthermore, this method has been successfully applied in Handan Steel & Iron Corporation and has brought about remarkable benefits for the enterprise.

Barbole and Yuvraj (2013) in their study of “Impact of cost control and cost reduction techniques on manufacturing sector” talked that, the customers are continuously demanding high quality and better performance products/services and at the same time, they want the prices to fall therefore it is necessary for companies how to manage its product/service Cost, quality, and performance. The shareholders are also demanding a required rate of return on their investment with the company. Thus, cost has become a residual. The challenge is being able to manufacture or provide service within the stipulated cost framework. Thus, cost management has to be an ongoing continuous improvement programmed. Today the market leaders are even pursuing cost-reduction as a strategic Imperative. They want to stay ahead of the market by continuously widening the gap between their cost and that of their competitors and re-deploy the resources for profitable growth. Their study will focus on impact of cost control and cost reduction techniques in the present scenario.

They observed in Manufacturing unit, where its main cost element is the Material Cost. Manufacturing companies are preferring techniques like Value Engineering, Quality Control, Budgetary Control, for the purpose of Cost Reduction. This technique fulfills the objective of Company i.e. 'Low Cost Manufacturer'. The study specifies that the Cost Reduction Techniques are now- a- days required to be implemented in each and every organization. Objective of this study is to find the Cost Reduction and Cost Control Techniques which are being used in the various stages and their effect on the cost of material. The secondary aim of study is to find all other cost reduction techniques which are useful. In times of difficult business climate when sales are reducing and uncertain every business must adopt to cost reduction strategies as soon as possible to avoid the business running into losses. By 18 using this company has achieved its basic goal of being 'Low Cost Manufacturer.

Mukesh chouhan & Mrupee Shivani(2012) conducted study on the costing techniques - life cycle costing need for better asset management. Both the capital and the ongoing operating maintenance cost must be considered wherever asset management decision involving cost is made. This is the life cycle cost approach.

It is a process to determine the sum of all cost associated with an asset or part thereof, including acquisition, installation, operating, maintenance, refurbishment and disposal cost.

Washery et al (2011) did Social Cost-Benefit Analysis - A Case Study of Tata Steel Coal , The paper analyses the application of Social Cost Benefit Analysis on Expansion of Jamadoba Coal washery based on Mines plant and tries to highlight the social costs and benefits associated with each project. It is a study of feasibility of a project in terms of its total economic Cost and total economic Benefits, not just the financial effect (investment cost like tax and fees, et but all th social effects like pollution, safety indirect (labour) market, legal aspects, etc.

Pandey (2011) stated that he has provided in his book, that fund management is concerned with managing of fund flows into and out the firm as well as fund flows within the firm, and also funds held by the firm at a point of time by financing deficit or investing surplus funds.

Jinkens and Yallapragada (2010), contributed in field of cost accounting, they found that new approaches to cost accounting, such as the Activity Based Costing (ABC), did not receive widespread adoption. As Sharman (Sharman, 2003) states, an Ernst & Young survey in 15 2003 of about 2,000 CFOs (Chief Financial Officers) revealed that 98 percent of respondents revealed that the cost information is inaccurate because of improper overhead allocation. Also about 80 percent of the U. S. companies use traditional cost allocation methods. Many companies claimed that the ABC system design is too complex. Sharman (Sharman, 2003) suggests that management accountants should adopt meaningful and dynamic changes in their functions of providing information to managers to enable them to achieve business performance. It can be achieved by combining U.S. management accounting practices with successful practices from other countries. They also realize that the traditional methods of overhead cost allocation to products is not accurate. Many in the management accounting field are calling for a serious. consideration of the time- tested German GPK cost system for adoption in the U.S. manufacturing industries. They researched to makes an effort to present the results of product costing under the existing U.S. cost systems as compared with the costing under the GPK (German cost

management principles system known as Grezplankostenrechnung GPK) German system in the automobile industry.

They also focused that, cost categories are the several kinds of expenses that should be taken into account when a firm is engineering a product or providing services. They explained that cost categories can be divided by different situations, for example, fixed costs and variable costs. Cost can be 16 divided into financial costs and management costs. Generally, types of cost structures include material costs, labor costs, transportation costs and R&D costs, etc.

R K Uppal and Rimpi Kaur (2009) examined various aspects of reducing cost in banking sector, The major challenge that banks face these days is to utilize the funds in an efficient manner and to earn maximum income with the reduction in costs so as to compete and survive in the emerging global competitive environment. Commercial banks organize their funds coming from deposits and borrowings. These funds are then disbursed in several investments and leads to getting returns in the form of interest and dividends for the bank. This study deals with CBA of bank funds helps in concluding that public sector banks and private sector banks arrange funds through funds coming from public deposits as the cost of borrowings is 14 almost half the cost of deposits. Also in the utilization of these funds, public sector banks are the beneficiary if they concentrate more on investments in different instruments rather than disburse loans to their customers as return on investments is higher, but foreign banks and private sector banks get more returns on advances; hence, they are at an advantage if they disburse loans rather than invest elsewhere. Correlation coefficient among cost of funds and return is positive and significant in almost all the bank groups. Finally, the paper comments on the present policies of the banks and suggests some future strategies for the management of funds to increase income and reduce cost thereof.

Carrar and Gibson (2008), In their study says that some expenses are driven by factors beyond the control of the department. Such as those related to inflation or goods or services most expenses budgets segregates salaries and benefits from other item in the expenses budget. Budgeting personals cost relating to a variety of factors, including addition of position, loss of the positions, the need for

temporary or seasonal workers, changes in benefits and outsourcing noted that the personnel items expenses in the budget are segregated from other expenses of certain personal functions that were formally handled within the institution. It should be and special permission usually must be received transfer money from the personnel budget to cover other expenses within the department or vice versa.

Waltson and Head (2007) stated that the explained fund management as the concept which is concerned with optimizing the amount of funds available, maximizing the interest earned by spare funds not required immediately and reducing losses caused by delays in the transmission of funds.

John Christian et al (2007) in his study talks about the problems faced by facility managers in any organization. One such problem is the estimation of operating and maintenance costs in the future. Such predictions are extremely difficult to make, no matter how accurate or close to reality they are. Accuracy is obtained by gathering earlier cost analysis and by studying the various factors that determine and effect the cost. In the research, he described that fourteen university facilities and eight government offices were investigated "Quantitative data on the historical operating and maintenance costs of these facilities, along with knowledge of the factors affecting the costs were elicited through various sources. Cost prediction models developed, using neural networks, regression analyses, and random deviation detection methods. The system created may be used to assist and advise on certain aspects of facility management, such as the estimation of operating and maintenance costs, and the development of preventive and general maintenance plans for facilities similar to those investigated".

Sunil Kumar, Vijay Gawaujar(2007) in their case study Cost benefit analysis with gas recovery for municipal solid waste management The advantages and disadvantages of alternatives for urban solid waste management are discussed. Landfill is considered to be a suitable and simple technology for tropical countries such as India. The recovery and reuse of landfill gas generated in MSW landfills is economically viable in most situations. A case study of cost-benefit analysis of landfill system with gas recovery option has been carried out for Port Blair City, Andaman Islands, India. A saving of about Rs 0.09 billion per annum with reference to existing system of MSW disposal is evaluated.

Wendy D.Pavlovich HughWatersMS, PhD WendyWeller PhD, their study stated that, Employers and health plan directors would like to know whether it is cost-effective to include outpatient nutrition services as a covered benefit. The purpose of this systematic review was to examine the strength of evidence on the cost-effectiveness of outpatient nutrition services from an economic perspective. All randomized controlled trials published between January 1966 and September 2001 that reported on costs and effectiveness of outpatient nutrition services for any indicated condition were identified and reviewed. Paired reviewers abstracted data from and assessed the quality of each eligible randomized controlled trial; 13 studies met the eligibility criteria. Relatively consistent evidence exists to support the cost-effectiveness of nutrition services in the reduction of serum cholesterol levels (eg, \$20 to \$1,268 per mmol/L decrease in serum low-density lipoprotein level), weight loss (\$2.40 to \$10 per pound lost), and blood glucose (\$5 per mmol/L decrease), and for target populations with diabetes mellitus and hypercholesterolemia. However, the randomized controlled trials had important limitations and used different cost perspectives. Limited evidence of economic benefit exists to support coverage of outpatient nutrition services for selected indications. More randomized controlled trials of nutrition services should be conducted, taking into consideration all potential candidates for nutrition therapy and all potential costs to patients, providers, and payers.

Compton and Brinker (2005) in their study mentioned that every cost is different, and only some should be evaluated for decision-making purposes. Different researchers distinguished different kinds of costs. Martin (1992) distinguished cost control includes direct costs, third-party costs, distributable costs, indirect costs and associated costs. Compton and Brinker distinguished marginal costs and sunk costs. Cost of production per unit is the cost associated with production, divided by the number of units produced.

Phill Carroll (2003) in his study on "How to Control Production Costs" stresses. The need for improved cost analyses and control by business to secure reasonable profit expectations. The study points out various inaccurate and illogical cost-accounting techniques used by many companies. Every effort is made to create a questioning attitude by management which will make it aware of

its company's faulty procedures and lead to improved practical methods of cost control.

T.J.Lah (2002) Critical Review of the Cost-Benefit Analysis in the Literature on Municipal Solid Waste Management. This paper reviews the municipal solid waste management (MSW) literature with particular respect to the cost-benefit analysis of MSW management alternatives. To diagnose the state of the field, the author examined the studies that use the cost-benefit approach in analyzing the MSW management. The review reveals a few important research notes. First, the current literature does not offer an example of a comprehensive and objective cost-benefit model for comparing MSW management options. Second, a systematic measurement of environmental benefits of MSW management methods was not found. Third, recycling may be cost-competitive depending on the situations. However, these circumstances are not clearly identified. And, lastly, few of the current cost-benefit studies discuss the methodological issues such as standing in a systematic way. These findings suggest that the subject of MSW management still lacks comprehensive and rigorous research that may guide both researchers and practitioners to the making of effective MSW management decisions.

Spence (Spence, January, 2004), in his study based on a conference proceeding (Stiglitz & Mathewson) stated that in so many markets, the purpose of reducing their costs organizations are competing over time to expanding their resources. Sometimes the cost reducing investments function directly on costs. In so many cases it is found that, they take the form of developing new products that bring in market and whatever customers need more economic. Therefore, product development can have the ultimate effect on direct cost reduction. In fact, if one thinks of the product as the services it delivers to the customer, then product development often considered as cost reduction. Industry performance is affected by majorly three issues or problems, those that occur simultaneously and make the entire process of assessment of performance very difficult. Cost reducing expenditures are firstly fixed cost. The factor of determining the value of the cost for research and development is profitability or revenue. He also stated that since research and development in any organization represents the fixed cost, and are majorly affected by the technological infrastructure. Relevant scale economies are

dynamic is of interest, and worthy of exploration. Differentiation and scale economies problems are added and makes R&D unique. These problems are referred to as externalities problems. This research was supported by the National Science Foundation.

Roland T. Rust, Christine Moorman and Peter R. (2002), in their study states that financial benefits in terms of profit and cash flows may be derived from revenue expansion, cost reduction or both simultaneously. The literature on both market orientation and customer satisfaction provides support for revenue expansion whereas the literature on both quality and operations provide impressive support for the cost reduction perspective. There is little evidence for the effectiveness of attempting both revenue expansion and cost reduction simultaneously and some of what little empirical and theoretical literature available suggests that emphasizing both at a time may not work. In firms seeking to obtain a financial return from quality improvements, the authors address the issue of which quality profitability emphasis (revenue expansion, cost reduction or both) is most effective. Although no company can neglect either revenue expansion or cost reduction, the empirical results suggest that firms that adopt primarily a revenue expansion perform better than firms that try to emphasize cost reduction and better than firms that try to emphasize both revenue expansion and cost reduction simultaneously. Earnings of high quality may be the outcome of conservative accounting standards or strong cash flows, decrease in production costs or increase in sales. Low quality earnings may be from artificial sources like inflation or aggressive accounting and cost control is considered as a strategy to achieve targeted profit but not a determinant of earnings quality.

M N Murty et al (2006) in their study Social Cost-Benefit Analysis of Delhi Metro stated that The growing demand for public transport in mega cities has serious effects on urban ecosystems, especially due to the increased atmospheric pollution and changes in land use patterns. An ecologically sustainable urban transport system could be obtained by an appropriate mix of alternative modes of transport resulting in the use of environmentally friendly fuels and land use patterns. The introduction of CNG in certain vehicles and switching of some portion of the transport demand to the metro rail have resulted in a significant reduction of atmospheric pollution in Delhi. The Delhi Metro provides multiple

benefits: reduction in air pollution, time saving to passengers, reduction in accidents, reduction in traffic congestion and fuel savings. There are incremental benefits and costs to a number of economic agents: government, private transporters, passengers, general public and unskilled labour. The social cost-benefit analysis of Delhi Metro done in this paper tries to measure all these benefits and costs from Phase I and Phase II projects covering a total distance of 108 kms in Delhi. Estimates of the social benefits and costs of the project are obtained using the recently estimated shadow prices of investment, foreign exchange and unskilled labour as well as the social time preference rate for the Indian economy for a study commissioned by the Planning Commission, Government of India and done at the Institute of Economic Growth. The financial internal rate of return on investments in the Metro is estimated as 17 percent while the economic rate of return is 24 percent. Accounting for benefits from the reduction of urban air pollution due to the Metro has increased the economic rate of return by 1.4 percent.

Nick Hanley & Rick slark (2007) Cost benefit analysis of paper recycling : A case study and some general principles This paper sets out the legislative background to the recycling of waste materials in the UK. Relevant items in this background include: the provision of recycling credits under the 1990 Environmental Protection Act; the draft EC Packaging Waste Directive; and the German DSD scheme. We next set out the elements of a cost-benefit analysis of waste paper recycling, including the environmental impacts of recycling. The method is then applied to a recycling scheme in central Scotland. We find that whilst on private, financial grounds the scheme is unattractive, it passes the cost-benefit test in the base-line case; this justifies government support for this recycling scheme, given the data used.

Vijayakumar and Venkatachalam (1995), stated that the study was made on observed analysis in capital. Study was carried with 13 firms belonging sugar industry for the 10 years period from 1982-1983 to 1991-92. The correlation and regression statistical method has been used to analyze the impact of working capital ratios on profitability. In this study total four ratios has been taken in to consideration; Liquidity ratio, inventory turnover ratio, receivable turnover ratio and cash turnover ratio. The discovery of the study said that liquid ratio and cash

turnover ratio have harmful impact on profitability. on the other hand inventory turnover ratio and receivables Have positive impact on profitability.

Ahmed Habib (1998),stated that the study is evaluated that the interest rate of fund reducing money power on output. For the study rational expectation model is used to find out relation between production decisions and debt finance. As funds having immense important factors and its cost, the rate of interest, affects the supply of goods, this study revealed that this model helps to identify the alarming situation when interest rate is used. This model also revealed that effects of monetary policy on the price level and supply side.

Baig and saima (2004) in their study Cost Effectiveness Analysis of HYL and Midrex DRI Technologies for the Iron and Steel-Making Industry. It explains the cost analysis methodology used for data analysis. The objective of the report is to determine potential cost savings if Midrex or HYL technology is installed in lieu of the current business as usual (BAU) case of the blast furnace. Using the cost analysis method, the costs of the blast furnace/basic oxygen furnace, Midrex, and HYL were calculated over a period of 25 years. The costs take into account capital expenses, operations & maintenance, and key energy inputs. Then the costing method was applied to the Midrex and HYL scenarios to determine which had the most cost savings potential over BAU.

Garg Pawan Kumar (1999),stated that the study was done in selected public sectors firms of Hariyana study relate with working capital and liquidity analysis. The analysis of the study says that forecasting of funds necessity constrained on different factors. After realizing the facts like needs of funds in public sectors. According to that, need to analyze production schedule, labor cost, sales trend etc. furthermore, suggestion is to manage other components of working capital.

CHAPTER – 3

RESEARCH METHODOLOGY

3.1 NEED FOR THE STUDY

- The knowledge of Fund Apportionment to cost centre.
- For a complete control and analysis, classification of total cost is necessary.
- The Balance sheet will give the components/ classification of the total cost and financial position of the company.

3.2 SCOPE AND SIGNIFICANCE OF THE STUDY

- To find strategies for efficient management of funds to cost centre.
- The cost of a cost centre or cost unit is shown in the cost sheet.
- It helps to meet routine fund requirement to finance the transaction.
- This study helps to take short term financial decision.

3.3 OBJECTIVE OF THE STUDY

PRIMARY OBJECTIVE

- To study on fund management at TAFE - Tractor And Farm Equipment Limited.

SECONDARY OBJECTIVE

- To study the method of fund allocation to cost center at TAFE pvt limited.
- To evaluate the control measures level of fund allocate to cost center at TAFE pvt limited.
- To determine the financial position of TAFE pvt limited.

3.4 RESEARCH DESIGN

Research design is of condition for collection specification of methods and procedures for acquiring the information needed to structure or to solve problem.

Research design is defined as, “the arrangement for collection and analysis of the

data in a manner that aims to combined relevant to the research purpose with economy in procedure”.

Descriptive research technique was adopted in this project. The researcher used descriptive type of research to analyze the past data based on which certain future decision can be made.

3.5 SOURCES OF DATA

PRIMARY DATA:

The primary data is that the data which is collected fresh or first hand and for first time, which is original in nature. Primary data can be collected through personal interview, Questionnaire and so on to support the secondary data.

SECONDARY DATA:

This data, which have already been collected and presented by any agency, may be used for the purpose of investigation. Such data may be called secondary data. Secondary data may earlier be published data or unpublished data. Usually published data are available in annual report.

3.6 PERIOD OF STUDY

My research on Fund Management started on end of December 2022 and completed on February 2023

3.7 Analytical Tools

During the course of research for the researcher for analysis and interpretation of data is given below has applied various tools.

1. Ratio:

- ✓ Current ratio
- ✓ Liquid ratio

2. Trend analysis for future allocation.

3. Cost centre analysis.

3.8 – LIMITATION OF THE STUDY

Limited Data:

This project has completed with annual reports and its just constitutes one part of data collection i.e. secondary. There were limitations for data collection because of confidentiality.

Limited Period:

This project is based on four year annual conclusions are based on such limited data.

The trend of last four year may not reflect the real working capital position of the company.

Limited Area:

Also it was difficult to collect the data regarding the competitors and their financial Information industry figures difficult to get.

CHAPTER – 4

DATA ANALYSIS AND INTERPRETATION

4.1 CURRENT RATIO

The current ratio compares all of a company's current assets to its current liabilities. These are usually defined as assets that are cash or will be turned into cash in a year or less, and liabilities that will be paid in a year or less.

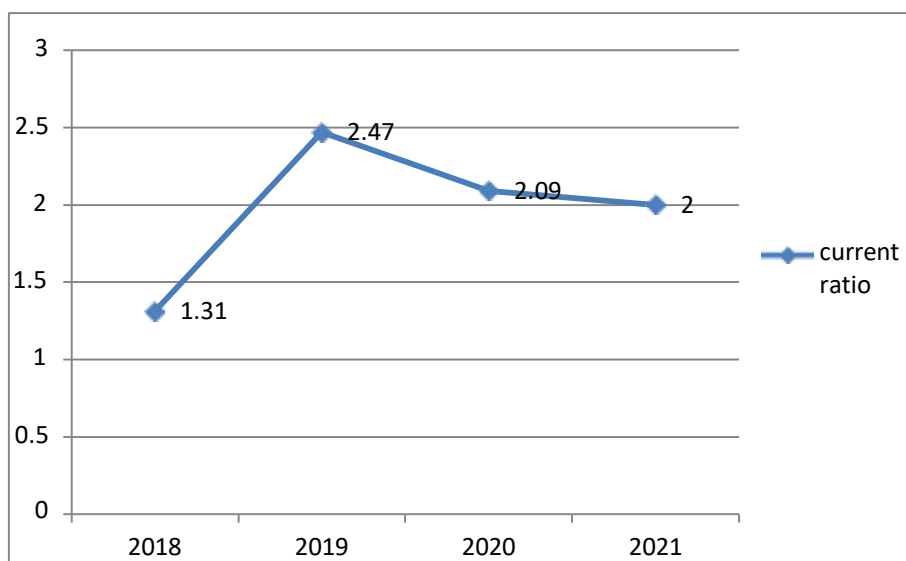
Current Ratio=Current Assets/Current Liabilities

\ Current Ratio

YEAR	CURRENT ASSETS	CURRENT LIABILITIES	CURRENT RATIO (%)
2017-2018	5,26,51,868	4,03,12,728	1.31
2018-2019	6,30,28,894	2,54,87,964	2.47
2019-2020	10,98,67,432	5,25,84,671	2.09
2020-2021	12,36,02,239	6,16,80,108	2.00

(source : secondary data)

4.1.1 - CHART SHOWING CURRENT RATIO



Interpretation:

The current ratio indicates a company's ability to meet short-term debt obligations. The above ratio shows the position of the firm. The standards norm for this ratio is 2:1. The company has a current ratio of 2.0, which would be considered a good ratio value. If the current ratio is very high (more than 2) then the company may not be using its current assets or its short-term financing facilities efficiently. Low values for the current ratio (less than 1) indicate that a firm may have difficulty meeting current obligations.

4.2 - LIQUID RATIO

This ratio is also called 'Quick or "Acid test" ratio. It refers to assets which are quickly convertible into cash. Current assets other than stock and prepaid expenses are considered as quick assets.

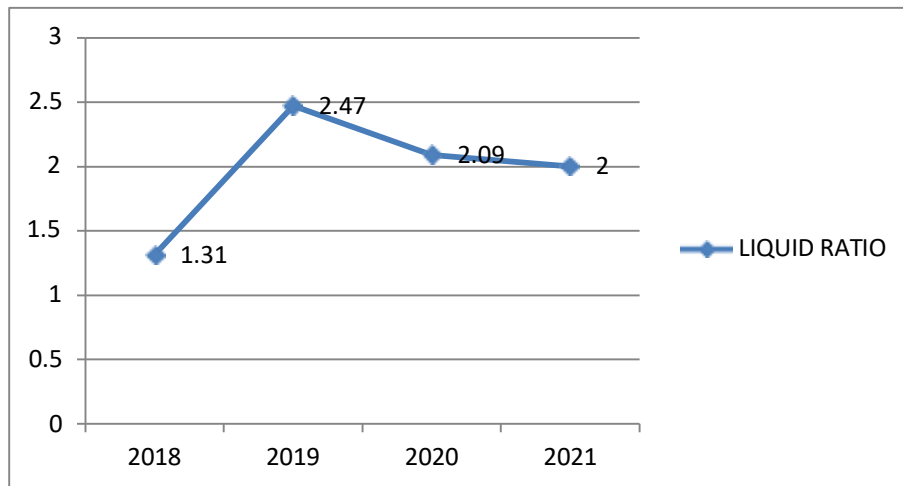
Liquid ratio = Quick assets or liquid assets / Current liabilities

4.1.2 – Liquid Ratio

YEAR	CURRENT ASSETS	CURRENT LIABILITIES	STOCK	LIQUID RATIO (%)
2017-2018	5,26,51,868	4,03,12,728	-	1.31
2018-2019	6,30,28,894	2,54,87,964	-	2.47
2019-2020	10,98,67,432	5,25,84,671	-	2.09
2020-2021	12,36,02,239	6,16,80,108	-	2.00

(sources: secondary data)

CHART SHOWING LIQUID RATIO



INTERPRETATION:

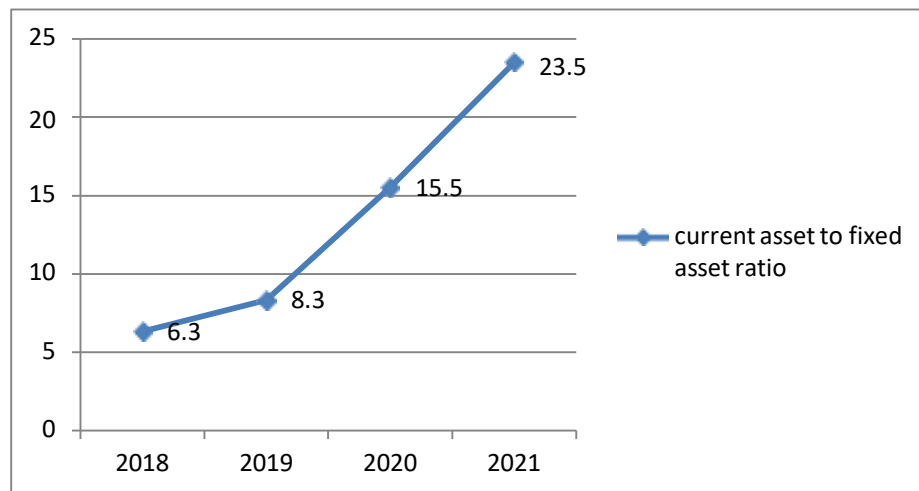
The generally accepted norm for liquid ratio is 1. A company that has the liquid ratio less than 1 may not be able to fully pay of its current liabilities in short term, while a company having quick ratio higher than 1 can instantly get rid of current liabilities.

Thus liquid ratio of the company is good for all four years.

4.1.3 - RATIO OF CURRENT ASSET TO FIXED ASSET

YEAR	CURRENT ASSET	FIXED ASSET	RATIO
2017-2018	5,26,51,868	83,57,117	6.30
2018-2019	6,30,28,894	75,89,979	8.30
2019-2020	10,98,67,432	70,66,129	1.55
2020-2021	12,36,02,239	52,57,299	2.35

CHART SHOWING RATIO OF CURRENT ASSET TO FIXED ASSET



INTERPRETATION: The ratio of current asset to fixed asset was found to be increasing from the year 2018. Since the company was over investing in the property, plant and equipment there was an decrease in fixed asset. In future period, the company has less money tied up with the fixed asset for each unit of sales , the company has the highest ratio of 23.5 in the year 2021.

4.3 TREND ANALYSIS FOR FUTURE ALLOCATION

HORIZONTAL ANALYSIS

Horizontal analysis (also known as *trend analysis*) is a financial statement analysis technique that shows changes in the amounts of corresponding financial statement items over a period of time. It is a useful tool to evaluate the trend

situations. The earliest period is usually used as the base period and the items on the statements for all later periods are compared with items on the statements of the base period. Each items of the base year is taken as 100 and on that basis; the percentage for other year are calculated. Such presentation helps in a better understanding of the financial statements.

4.2.1 - FOR THE YEAR ENDED 31-03-2018 TO 31-03-2021

TREND % BASE YEAR 2018

PARTICULARS	2018	2019	2020	2021
CURRENT ASSETS				
Trade receivables	100	113	193	160
Cash and cash equivalents	100	190	115	429
Short term loans and advances	100	123	130	189
Other current assets	100	126	144	232
FIXED ASSETS				
tangible assets	100	92	85	63
Intangible assets	100	49	26	55

(sources : secondary data)

INTERPRETATION: From the horizontal analysis it is found that current asset was found to be increasing and the fixed asset was found to be decreasing.

4.4 COST CENTER ANALYSIS

A cost center is a department or function within an organization that does not directly add to profit but still costs the organization money to operate. Cost centers only contribute to a company's profitability indirectly, unlike a profit center, which contributes to profitability directly through its actions. Managers of cost centers, such as human resources and accounting departments are responsible for keeping their costs in line or below budget.

- A cost center is a function within an organization that does not directly add to profit but still costs money to operate, such as the accounting, HR, or IT departments.
- The main use of a cost center is to track actual expenses for comparison to budget.
- A cost center indirectly contributes to a company's profit via operational excellence, customer service, and enhanced product value.
- The manager for a cost center is only responsible for keeping costs in line with budget and does not bear any responsibility regarding revenue or investment decisions.

4.3.1 - Total Budget for the business

	2019-20 (in units)	2020-21 (in units)
Total Budget for the Business	50Cr	55Cr
Opening stock	5000	2500
Production	5000	10000
Total sales	7500	9500
Closing Stock	2500	3000

Total sales increased by 2000 units.

Budget Apportioned to the cost center

4.3.2 - CORPORATE RELATIONS – 90Lakhs per year

COST DESCRIPTION	ELEMENT	2019-20	2020-21
Product Expenses	Promotion	21,77,736	1845152
Exhibition expenses		20,94,428	1732154
Catalogue and Literature		1,74,322	100000
Advertisement Charges - Souvenirs		10,000	5000
Welfare Expenses		28,000	25000
Manpower Expenses	Development	21,490	19000
Domestic Travel - Tourist Cars		238,167	250000
Domestic Travel - Others		464,223	500000
Domestic Travel - Air		517,209	550000
Domestic Travel - Train		22,377	20000
Travel - Foreign		622,974	700000
Foreign Travel - Air		313,915	350000
Conveyance		932	500
Non-TE Domestic Travel - Tourist Cars		114,706	150000
Non-TE Domestic Travel - Others		71,656	75000
Non-TE Conveyance		1,135	500
Hotel Expenses		326,939	350000
Entertainment Expenses		513,590	500000
Non-TE Entertainment		5,625	3500

Expenses		
Courier Charges	4,640	2500
Stationery and Office supplies	18,023	15000
Photocopying charges	64,035	65000
Non-TE Stationery and Office supplies	32,782	30000
Vehicle Running Expenses	183	150
Journals and Periodicals	7,080	5000
Miscellaneous charges	3,000	2500
Budget Utilised	78,49,166	72,95,956
Cost Saving	11,50,834	17,04,044

(sources- secondary data)

Total Cost Saving = 5,53,210

INTERPRETATION:

Comparing these two year cost center, work cost of 2021-22 has been reduced due to extensive care on cost control and other cost are in increasing trend as like previous year. With a better cost control, cost of production lead to profit.

CHAPTER – 5

5.1 FINDINGS:

- ❖ The standard norm for the current ratio is 2:1. The company has the standard norm of current ratio in the year 2021. The company has very high current ratio (more than 2) for the years 2018 and 2022 which indicates then the company may not be using its current assets or its short-term financing facilities efficiently for this two years.
- ❖ The standard norm of liquid ratio is 1. A company that has the liquid ratio less than 1 may not be able to fully pay of its current liabilities in short term, while a company having quick ratio higher than 1 can instantly get rid of current liabilities. Since the liquid ratio is greater than 1 for all the years and the company can instantly get rid of current liabilities.
- ❖ Ratio of current asset to fixed asset gradually increases from the year 2018 and it reaches to 23.5 in the year 2021. The highest ratio of current asset to fixed asset is found in the year 2021.
- ❖ Comparing the two year cost center (2020-21,2021-22), work cost of 2021-22 has been reduced due to extensive care on cost control and other cost are in increasing trend as like previous year. With a better cost control, cost of production lead to profit.
- ❖ The company has effectively taken control over expenditure by the reduction of cost in travelling expenses of clients or the employees for the purpose of promotion of their products from place to place.
- ❖ It is consistent travelling of an employee to travel from place to place for the business purpose and for the promotional activity of the product, the company reduce cost of travel being cost effective and to avoid unwanted expenses. Instead of Airways the employee is encourage to travel in private transportation like car, bus etc..
- ❖ From the analysis of horizontal analysis tool it is found that,
 - Current assets are increased when compared to the base year.
 - Fixed assets are decreased when compared to the base year.

5.2 SUGGESTIONS

The analysis of the Cost centre and other financial transactions raised some potential issues related with excessive cost. They were overspending on office supplies, business travel expenses, fee refund and excessive cash disbursement.

Management can consider the following recommendations for solving these issues-

- The reason behind the overspending of office supplies need to be investigated. It has to be investigated that whether the expense of office supplies is actually generating the expected revenue. Cheap transportation cost can be used for the client meeting and product promotion.
- Social media, video conference can be used instead of business travel in case of meetings and conferences.
- There can be a proper audit to investigate the reasons behind the fee refund. Every fee refund can be recorded with a proper reasoning for the future reference, so there is no or less repetition of the errors.
- Cash apportionment can be handled in an effective way, so the company can invest somewhere if needed.
- There can be cheap outsourcing of contractors from overseas if needed.

5.3 - Conclusion

The report has shown the cost center analysis and the financial position of the company, TAFE - Tractor And Farm Equipment Limited. If there can be a proper control over the purchase cost and cash apportionment to the respective cost center of each department, the operation of the company will be more flexible and smooth. The suggestions or the recommendations have tried to showcase the possibilities of the control of the cost centers. This project on “Fund Management at TAFE - Tractor And Farm Equipment Limited.” defines the concept relating to know the Fund apportionment to the cost center of each department and to suggest measures to improve the financial position of the company. The objective is to focus on “Fund Management to the cost center” for the past two years through the cost and balance sheet of the company. A Study on “Fund Management” at TAFE - Tractor And Farm Equipment Limited Company brought out some financial tools like Ratios - Current ratio, Liquidity ratio, Cost center analysis and trend analysis for future apportionment of fund are very useful tools to improve the financial position of the company. The overall Fund Management at at TAFE - Tractor And Farm Equipment Limited Company is satisfactory and management should focus on cost reduction. Company may try to reduce cost per unit by increasing production.

REFERENCE

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ANNEXTURE:

4.4.1 - BALANCE SHEET OF TAFE – Tractor And Farm Equipment Limited

	Particulars	Figures as at the end of (current reporting period) (In Rs.)	Figures as at the end of (Previous reporting period) (in Rs.)
		31/03/2019	31/03/2018
I	EQUITY AND LIABILITIES		
(1)	Shareholder's fund	100000	100000
	a) Shareholder's Fund		
	b) Reserves and surplus	4,63,02,354	3,78,98,369
	c) Money received against share warrants	0.0	0.0
(2)	Share application money pending allotment	0.0	0.0
(3)	Non - current liabilities		
	a) Long term borrowings	5,17,814	6,83,554
	b) Deferred tax liabilities (net)	0.0	0.0
	c) other long term liabilities	0.0	0.0
	d) Long term provisions	13,89,374	11,78,100
(4)	Current liabilities		
	a) Short term borrowings	0.0	0.0
	b) Trade payables	2,54,87,964	2,53,44,157
	c) other current liabilities	1,31,65,566	1,48,61,287
	e) Short term provisions	59,11,536	1,07,304
	Total	9,28,74,608	8,01,72,771
II	Assets		
(1)	Non current assets		
	a) Fixed assets		
	i) Tangible assets	74,77,759	81,27,020
	ii) Intangible assets	1,12,220	2,30,097
	iii) Capital work in progress	0.0	0.0
	iv) Intangible assets	0.0	0.0
	b) Non-current investments	0.0	0.0
	c) Deferred tax assets (net)	63,17,585	55,14,274
	d) Long term loans and advances	1,59,38,150	1,36,49,512
	e) Other non-current assets	0.0	0.0
(2)	Current assets		
	a) Current Investment	0.0	0.0
	b) Inventories	0.0	0.0
	c) Trade receivables	4,22,21,966	3,74,67,087
	d) cash and cash equivalents	51,31,563	26,99,330
	e) Short term loans and advances	17,18,118	13,94,213
	f) Other current assets	51 1,39,57,347	1,10,91,238
	Total	9,28,74,608	8,01,72,771

4.4.2 - BALANCE SHEET OF TAFE – Tractor And Farm Equipment Limited

	Particulars	Figures as at the end of (current reporting period) (In Rs.)	Figures as at the end of (Previous reporting period) (in Rs.)
		31/03/2021	31/03/2020
I	EQUITY AND LIABILITIES		
(1)	Shareholder's fund	1,00,000	1,00,000
	a) Shareholder's Fund		
	b) Reserves and surplus	7,85,95,315	6,13,94,865
	c) Money received against share warrants	0.0	0.0
(2)	Share application money pending allotment	0.0	0.0
(3)	Non - current liabilities		
	a) Long term borrowings	1,29,442	3,33,772
	b) Deferred tax liabilities (net)	0.0	
	c) other long term liabilities	0.0	
	d) Long term provisions	12,84,969	19,97,297
(4)	Current liabilities		
	a) Short term borrowings		
	b) Trade payables	3,49,14,943	5,25,84,671
	c) other current liabilities	2,18,64,294	1,19,35,584
	e) Short term provisions	49,00,871	17,51,215
	Total		
II	Assets		
(1)	Non current assets		
	a) Fixed assets		
	i) Tangible assets	51,30,171	69,82,134
	ii) Intangible assets	1,27,128	83,995
	iii) Capital work in progress	0.0	0.0
	iv) Intangible assets	0.0	0.0
	b) Non-current investments	0.0	0.0
	c) Deferred tax assets (net)	62,21,482	52,53,405
	d) Long term loans and advances	67,08,814	79,10,708
	e) Other non-current assets	0.0	0.0
(2)	Current assets		
	a) Current Investment	0.0	0.0
	b) Inventories	0.0	0.0
	c) Trade receivables	5,99,05,806	7,26,25,570
	d) cash and cash equivalents	1,15,93,135	3,11,20,768
	e) Short term loans and advances	2,63,95,290	1,81,57,864
	f) Other current assets	2,57,08,008	1,59,63,230

	Total	14,17,89,834	13,00,97,674
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A Study on fund management at Tafe –tractor and farm equipment limited

PRABAKAR G , P.G scholar, MBA department, Sathyabama University

DR. SHEEBA T, professor, MBA department, Sathyabama University

ABSTRACT

Funds to the Cost center analysis is a statement of cost apportionment to the different department for the expenses and cost per unit of any product at every level of production. It is important to know at what stage of production we are and what price at the particular production stage. Cost of production includes various factors from manufacturing to administration expenses. These variables need to be given special care and attention by the company to bring about efficiency in Fund management. Hence the major objectives of the study undertaken were, to evaluate the control measures level of fund allocated to the cost center at different stages of production, to make a comparison with the budgets to the cost center with previous years and provide suitable suggestions. The secondary data is chosen for the study on Fund allocation to the cost center and to determine the financial position of the company. The data were collected from various journals, websites and the annual report of TAFE – Tractor And Farm Equipment Limited. The analytical research technique was adopted in this project. The researcher used analytical type of research to analyze the past data based on which certain future decision can be made Data extracted from the Annual report of the company was analysed for cost with the help of Current ratio, Liquid ratio, trend analysis for future allocation and cost center analysis. The Fund to the cost center analyzed with the past two years shows an increasing in cost saving compared with previous year. The current ratio indicates a company's ability to meet short-term debt obligations

INTRODUCTION

Fund is the money which a firm can disburse immediately without any restriction. The term fund includes coins, currency and cheques held by the firm, and balances in its bank accounts. Sometimes near-cash items, such as marketable securities or bank time deposits, are also included in funds. The basic characteristic of near-cash fund assets is that they can readily be converted into cash. und management is concerned with the managing of fund flows into and out of the firm, fund flows within the firm, and Funds held by the firm at a point of time by financing deficit or investing surplus funds.. Sales generate cash which has to be disbursed out. The surplus funds has to be invested while deficit this cycle at a minimum cost. At the same time, it also seeks to achieve liquidity and control. Fund management assumes more importance than other current assets because fund is significant and the least productive asset that a firm's holds. It is significant because it is used to pay the firm's obligations. Unlike fixed assets or inventories, it does not produce goods for sale. Therefore, the aim of fund management is to maintain adequate control over fund position to keep the firm sufficiently liquid and to use excess funds in some profitable way. Fund management is also important because it is difficult to predict fund flows accurately, particularly the inflows, and there is no perfect coincidence between the inflows and outflows of funds. During some periods, fund outflows will exceed fund inflows, because payments for taxes, dividends, or seasonal inventory build-up.

NEED FOR THE STUDY

- The knowledge of Fund Apportionment to cost centre.
- For a complete control and analysis, classification of total cost is necessary.
- The Balance sheet will give the components/ classification of the total cost and financial position of the company.

SCOPE AND SIGNIFICANCE OF THE STUDY

- To find strategies for efficient management of funds to cost centre.
- The cost of a cost centre or cost unit is shown in the cost sheet.
- It helps to meet routine fund requirement to finance the transaction.
- This study helps to take short term financial decision.

PRIMARY OBJECTIVE

- To study on fund management at TAFE – Tractor And Farm Equipment Limited.

SECONDARY OBJECTIVE

- To study the method of fund allocation to cost center at TAFE pvt limited.
- To evaluate the control measures level of fund allocate to cost center at TAFE pvt limited.
- To determine the financial position of TAFE pvt limited.

RESEARCH DESIGN

Research design is of condition for collection specification of methods and procedures for acquiring the information needed to structure or to solve problem. Research design is defined as, “the arrangement for collection and analysis of the data in a manner that aims to combined relevant to the research purpose with economy in procedure”.

Descriptive research technique was adopted in this project. The researcher used descriptive type of research to analyze the past data based on which certain future decision can be made

DATA ANALYSIS AND INTERPRETATION

CURRENT RATIO

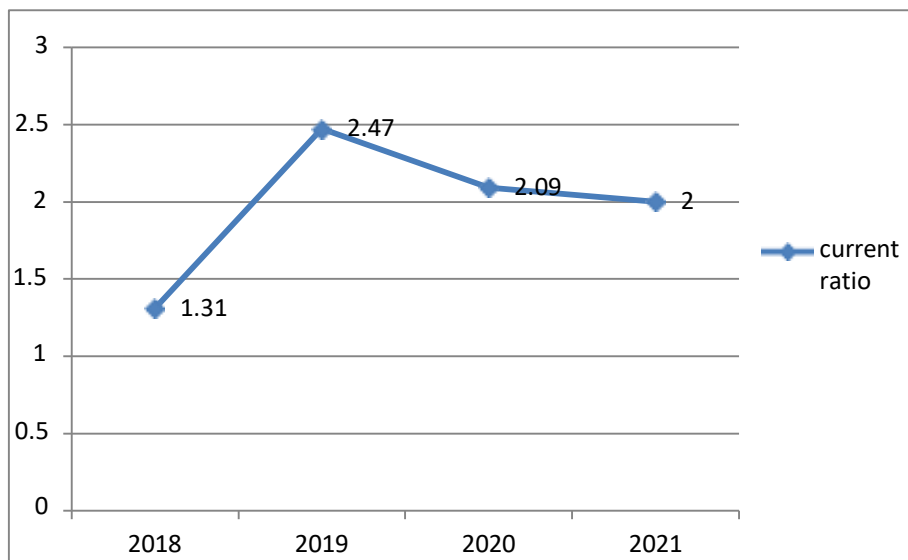
The current ratio compares all of a company’s current assets to its current liabilities. These are usually defined as assets that are cash or will be turned into cash in a year or less, and liabilities that will be paid in a year or less.

Current Ratio=Current Assets/Current Liabilities

\ Current Ratio

YEAR	CURRENT ASSETS	CURRENT LIABILITIES	CURRENT RATIO (%)
2017-2018	5,26,51,868	4,03,12,728	1.31
2018-2019	6,30,28,894	2,54,87,964	2.47
2019-2020	10,98,67,432	5,25,84,671	2.09
2020-2021	12,36,02,239	6,16,80,108	2.00

CHART SHOWING CURRENT RATIO



Interpretation:

The current ratio indicates a company's ability to meet short-term debt obligations. The above ratio shows the position of the firm. The standards norm for this ratio is 2:1. The company has a current ratio of 2.0, which would be considered a good ratio value. If the current ratio is very high (more than 2) then the company may not be using its current assets or its short-term financing facilities efficiently. Low values for the current ratio (less than 1) indicate that a firm may have difficulty meeting current obligations.

LIQUID RATIO

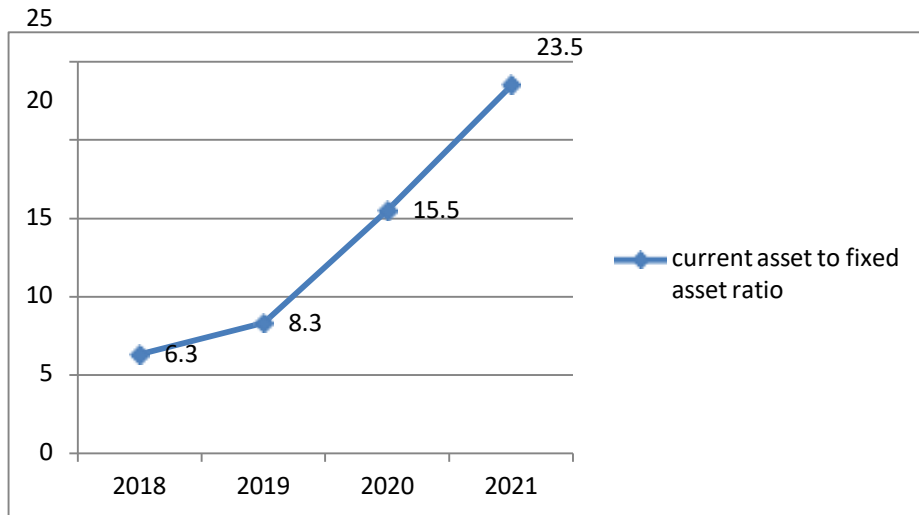
This ratio is also called 'Quick or "Acid test" ratio. It refers to assets which are quickly convertible into cash. Current assets other than stock and prepaid expenses are considered as quick assets.

Liquid ratio = Quick assets or liquid assets / Current liabilities

Liquid Ratio

YEAR	CURRENT ASSETS	CURRENT LIBILITIES	STOCK	LIQUID RATIO (%)
2017-2018	5,26,51,868	4,03,12,728	-	1.31
2018-2019	6,30,28,894	2,54,87,964	-	2.47
2019-2020	10,98,67,432	5,25,84,671	-	2.09
2020-2021	12,36,02,239	6,16,80,108	-	2.00

CHART SHOWING RATIO OF CURRENT ASSET TO FIXED ASSET



INTERPRETATION: The ratio of current asset to fixed asset was found to be increasing from the year 2018. Since the company was over investing in the property, plant and equipment there was an decrease in fixed asset. In future period, the company has less money tied up with the fixed asset for each unit of sales , the company has the highest ratio of 23.5 in the year 2021.

TREND ANALYSIS FOR FUTURE ALLOCATION

HORIZONTAL ANALYSIS

Horizontal analysis (also known as *trend analysis*) is a financial statement analysis technique that shows changes in the amounts of corresponding financial statement items over a period of time. It is a useful tool to evaluate the trendsituations. The earliest period is usually used as the base period and the items on the statements for all later periods are compared with items on the statements of the base period. Each items of the base year is taken as 100 and on that basis; the percentage for other year are calculated. Such presentation helps in a better understanding of the financial statements.

TREND % BASE YEAR 2018

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INTERPRETATION: From the horizontal analysis it is found that current asset was found to be increasing and the fixed asset was found to be decreasing.

COST CENTER ANALYSIS

A cost center is a department or function within an organization that does not directly add to profit but still costs the organization money to operate. Managers of cost centers responsible for ensuring that their department operate efficiently and cost effectively so that the company they play A critical role in maintaining financial sustainability by controlling costs and managing expenses . Therefore it is important for companies to have effective cost management strategies in place to ensure the success and profitability of their business cost center is a function within an organization that does not directly add to profit but still costs money to operate, such as the accounting, HR, or IT departments.

- The main use of a cost center is to track actual expenses for comparison to budget.
- A cost center indirectly contributes to a company's profit via operational excellence, customer service, and enhanced product value.

- The manager for a cost center is only responsible for keeping costs in line with budget and does not bear any responsibility regarding revenue or investment decisions.

Total Budget for the business

	2019-20 (in units)	2020-21 (in units)
Total Budget for the Business	50Cr	55Cr
Opening stock	5000	2500
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SUGGESTIONS

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