

## Comparative Study of Cash Flow Statement A Case Study of Cash Flow At Gubba Cold Storage (Hyderabad)

P.Gayathri<sup>1</sup>, K.Neeraja<sup>2</sup>, A.Latha<sup>3</sup>

<sup>1</sup>(MBA Department, Malla Reddy Engineering College (A), Maisammaguda, Dhulapally, Secunderabad.)

<sup>2</sup>(MBA Department, Malla Reddy Engineering College (A), Maisammaguda, Dhulapally, Secunderabad.)

<sup>3</sup>(MBA Department, Malla Reddy Engineering College (A), Maisammaguda, Dhulapally, Secunderabad.)

---

**Abstract :** A cash flow statement is prepared by an entity: It shows cash receipts from major sources and cash payments for major uses during a period. The main objective of this study is to know the company's financial performance on cash flow statement It may be prepared at quarterly intervals but at least at yearly intervals. According to this, all the cash transactions of the company are divided in three activities. i.e. operating, investing, and financing activities. such classification helps the investors and other stakeholders in analysing the cash flow data. In this paper, a comparative study has been undertaken between two companies: Gubba cold storage and GNR cold storage. This study has made an attempt to analyse the company's cash flows by using t-test. In this study we found that the hypothesis  $h_0$  is accepted.

**Keywords** - cash, operating activities, investing activities, financial activities.

---

### I. INTRODUCTION

Cash flow statement is a statement which shows all the sources of cash inflow and uses of cash outflow of the business concern during a particular period of time. Cash flow statement is also known as statement of cash flows is a financial statement which shows how the changes in balance sheet accounts and income affects cash and cash equivalents. It statement includes only the inflows and outflows of cash and cash equivalents; it also excludes transactions that do not directly affect cash receipts and payments. These non-cash transactions include depreciation or write-offs on bad debts or credit losses. The cash flow statement is a cash basis report on 3 types of financial activities: operating activities, investing activities, financing activities. The cash flows management is an enterprise which should prepare a cash flow statement and should present it for each period for which financial statements are prepared in accordance with AS-3 cash flows statements.

#### A. Objectives

- i. To present information about the cash inflows and cash outflows from operating, financing and investing activities of the firm.
- ii. To show the impact of the operating, financing and investing activities on cash resources.

#### B. Hypothesis formulation

H<sub>0</sub>: There is no significant impact of operating, investing and financing activities.

H<sub>1</sub>: There is a significant impact of operating, investing and financing activities.

### II. RESEARCH METHODOLOGY

This study was conducted by using primary and secondary data with the time period of 5 years 2012-13 to 2016-17. In this study, mainly secondary data is collected. Secondary data has been obtained from the following sources: annual reports, journals, cash flows, other related websites.

#### A. Sample selection

For the purpose of the study two companies. Gubba cold storage and GNR cold storage have been selected.

#### B. Period of study

The study is conducted for a period of five (5) financial years i.e. from 2012-2013 to 2016-17.

C. Statistical tools

The statistical analysis technique is selected to analyze the cash flow statements of the companies under study. There are various statistical tools used to analyse the data.

Changes in working capital, cash from operations, cash flow statement.

III. REVIEW OF LITERATURE

Keck, T.E, Levensgood, and A.Longfield, 1998, their study is about the cash analysis we can say that it is the lifeblood of any business. In an organization we can see many activities to get the cash from sales, debtors, sale of assets, investments etc. like this the company spend also the cash in some areas-payment to salaries, rent dividend. Interest etc. lastly, we can say that cash flow reveals the inflows and outflows of cash during a particular period. Cash flow is the difference between the amount of cash flowing in and cash flowing out a company.Kubr, Marchesi, ilar, Kienhuis, 1998. MCKinley & Company, explains that calculating cash flows after the forecasting period is much more difficult and uncertain, and therefore the risk factor, rises with each additional year into the future. The continuing value is a solution that represents the cash flows after forecast period. Aswath Damodaran 2001 Investment Valuation, his review tells that the value of the equity can be calculated by the total of all discounted cash flows the outstanding debts are subtracted. Tim Koller, Marc Goedhart, David Wessels. 2005, their study explains that theCash management is a broad term that refers to the collection, concentration, and disbursement of cash. It includes the level of liquidity, management of cash balances, and short-term investment strategies. In some ways, business managers most important job is to manage cash flows.

A. Data analysis and hypothesis testing

The data in table 1 shows the usage rate of Gubba cold storage company's (operating, investing and financing activities). The data were used the t-test paired two sample for means (t-test) formula. As the comparison is done between 2 companies .i.e: Gubba cold storage and GNR cold seed storage.

Table1:

years	operating activities		Investing activities		financing activities	
	Gubba	GNR	Gubba	GNR	Gubba	GNR
2012-13	63.09	109.94	5.32	-89.19	-42.92	-15.68
2013-14	94.86	161	3.61	-53.97	-83.35	-47.06
2014-15	371.49	184.77	-328.38	154.86	-99.17	38.33
2015-16	344.07	104.78	-101.73	100.71	192.28	61.17
2016-17	225.57	109.94	-75.83	-201.59	-42.57	-20.71

Calculation of standard deviation

Calculation of t-test for operating activities

	<i>Gubba</i>	<i>GNR</i>
Mean	219.816	134.086
Variance	19663.55	1329.53288
Observations	5	5
Pearson Correlation	0.211633	
Hypothesized Mean Difference	0	
Df	4	
t Stat	1.397029	
P(T<=t) one-tail	0.117462	
t Critical one-tail	2.131847	
P(T<=t) two-tail	0.234924	
t Critical two-tail	2.776445	

**INTERPRETATION:**

From the t-table, it is observed that the calculated value of t for operating activities (1.397029) is less than the table value (2.776). The hypothesis is accepted. It means that there is no significant difference between the means of operating activities of selected companies.

Calculation of t-test for investing activities

	<i>Gubba</i>	<i>GNR</i>
Mean	-99.402	-120.064
Variance	18642.53817	3388.36208

Observations	5	5
Pearson Correlation	0.504616853	

years	operating activities		Investing activities		financing activities	
	Gubba	GNR	Gubba	GNR	Gubba	GNR
2012-13	63.09	109.94	5.32	-89.19	-42.92	-15.68
2013-14	94.86	161	3.61	-53.97	-83.35	-47.06
2014-15	371.49	184.77	-328.38	-154.86	-99.17	-38.33
2015-16	344.07	104.78	-101.73	-100.71	-192.28	-61.17
2016-17	225.57	109.94	-75.83	-201.59	-42.57	-20.71
S.D	140.2268	36.46276	136.5377	58.20964	61.30755	18.74985

Hypothesized Difference	Mean	0
Df		4
t Stat		0.390339848
P(T<=t) one-tail		0.358090429
t Critical one-tail		2.131846786
P(T<=t) two-tail		0.716180859
t Critical two-tail		2.776445105

**INTERPRETATION:**

From the t-table, it is observed that the calculated value of t for investing activities (0.390339) is less than the table value (2.776). The hypothesis is accepted. It means that there is no significant difference between the means of investing activities of selected companies.

Calculation of t-test for financing activities

	<i>Gubba</i>	<i>GNR</i>
Mean	-92.058	-36.59
Variance	3758.61607	351.55685
Observations	5	5
Pearson Correlation	0.91300064	
Hypothesized Mean Difference	0	
Df	4	
t Stat	-2.7656869	
P(T<=t) one-tail	0.02527697	
t Critical one-tail	2.13184679	
P(T<=t) two-tail	0.05055393	
t Critical two-tail	2.77644511	

**INTERPRETATION:**

From the t-table, it is observed that the calculated value of t for financing activities (-2.76568) is less than the table value (2.776). The hypothesis is accepted. It means that there is no significant difference between the means of financing activities of selected companies.

**FINDINGS:**

Firstly, from the table no.1, it can be seen that the average of cash flow from operating activities of Gubba cold storage is higher than that of GNR cold storage. Theoretically, higher the average, higher will be the rank and vice versa. So, Gubba cold storage is given 1<sup>st</sup> rank and GNR cold storage is given 2<sup>nd</sup> rank.

Secondly, in case of standard deviation, lower the value, higher will be the rank and vice versa. Considering this aspect, it is observed that the S.D for all the three activities of GNR cold storage is lower than the Gubba cold storage. So, for the three activities, gubba cold storage obtained 1<sup>st</sup> rank and GNR cold storage obtained 2<sup>nd</sup> rank.

**HYPOTHESIS TESTING:**

1. In case of operating activities, it is observed that the t-test is used for both the company's. So, it can be said that the hypothesis is accepted.
2. For investing activities, it is observed that the t-test is used for both the company's. So, it can be said that the hypothesis is accepted.
3. For financing activities also, it is observed that the t-test is used for both the company's. So, it can be said that the hypothesis is accepted.

### **CONCLUSION**

Cash flow analysis is important to identify weaknesses in business operation that can lead the organization towards liquidity. Through cash flow analysis, organization can identify the unproductive use of fund as well as ascertain and plan future cash flow.

Cash flow forecasting and management is important because it minimizes the borrowing cost, maximizes income from short term investments and also manage financial risks. Sometimes a negative cash flow results from the company's growth strategy in the form of expanding its operations. By adjusting earnings, revenues, assets and liabilities, the investor can get a very clear picture. Thus cash flow statement plays an important role in the company.

### **REFERENCES**

- 1.** Keck, T.E, Levengood, and A.Longfield, (1998) "using discounted cash flow analysis in an international setting: a survey of issues in modeling the cost of capital," journal of applied corporate finance, vii (3), 82-99.
- 2.** Tim koller, marc goedhart, davidwessels, (2005) "measuring and managing value of companies." Pp-150 sixth edition, Newyork University.
- 3.** Aswathdamodaran (2001) "discounted cash flow valuation." NYU, PP-159 stern school of business, Newyork University.
- 4.** M.Y.Khan, P.K.Jain (2001),"financial management"(3<sup>rd</sup> edition), Tata MC Graw-Hill, Publishing company ltd., New Delhi.