

AN ARTICLE ON FIXED ASSET MANAGEMENT with reference to BSNL, RJY

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ABSTRACT: Fixed assets, also known as "tangible assets "or property, plant, and equipment (PP&E), is a term used in accounting for assets and property that cannot easily be converted into cash. AS 16 (International Accounting Standard) defines Fixed Assets as assets whose future economic benefit is probable to flow into the entity, whose cost can be measured reliably. Moreover, a fixed/non-current asset can also be defined as an asset not directly sold to a firm's consumers/end-users. non-current assets have value, they are not directly sold to consumers and cannot be easily converted to cash. These are items of value that the organization has bought and will use for an extended period of time; fixed assets normally include items such as land and buildings, motor vehicles, furniture, office equipment, computers, fixtures and fittings, and plant and machinery. It is pertinent to note that the cost of a fixed asset is its purchase price, including import duties and other deductible trade discounts and rebates. In addition, cost attributable to bringing and installing the asset in its needed location and the initial estimate of dismantling and removing the item if they are eventually no longer needed on the location. The primary objective of a business entity is to make profit and increase the wealth of its owners. The important point here is that whether these fixed assets are utilized to the fullest in an efficient and effective manner.

Index terms : Depreciation, liquidity, turnover, profitability.

INTRODUCTION:

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

NEED OF THE STUDY:

The owner's funds and long term liabilities are invested in fixed assets. If firms fixed assets are idle and not utilized properly it affects the long-term sustainability of the firm, which may affect liquidity and solvency and profitability positions of the company.

Fixed assets are the assets which cannot be liquidated into cash within one year. The huge amounts of funds of the company are invested in these assets. Every year company invests an additional fund in these assets directly or indirectly.

The survival and other objectives of the company depend on operating performance of management i.e. effective utilization of these assets.

OBJECTIVES OF THE STUDY

The following are the objectives of the study

- The study is conducted to evaluate the fixed assets turnover of BHARAT SANCHAR NIGAM LIMITED
- The study is conducted to evaluate whether fixed assets are giving adequate returns to the company.
- To evaluate that if fixed assets are liquidated, what proportion of it will contribute for the payment of owners fund and long-term obligations?

SCOPE OF THE STUDY

Each and every study has its own scope. The project is covered on fixed assets of BSNL Drawn from annual reports of the company. The subject matter is limited to fixed assets, its analysis and its performance but not to any other areas of accounting corporate, marketing and financial matters.

Can have a clear idea about how they identify their fixed asset, categories of fixed assets, how they collect asset data, their ways of input data, for different assets and finally what did they do valuation of different assets.

REVIEW OF LITERATURE:

Accounting for fixed assets is a theory given by Raymond H. Peterson in the year 2002, this book is the analysis of Strategies & techniques for getting the most out of A COMPANY'S physical assets. It presents comprehensive guidelines for effectively managing property, plant, and equipment in order to get the maximum benefits out of investments in these long-term tangible assets. Enhanced with numerous examples and illustrations, this new edition features essential material on government accounting, not-for-profit accounting, and practical computer programs.

Alfred King's book, The Internal Control of Fixed Assets, was written on nov26th 2013, he has given a theory and this book is a must-read for anyone in the position of managing a company's fixed assets. When reviewing the balance sheets of most companies, it might be noted that the original cost of land, buildings, machinery, and equipment represents a substantial portion of total assets. King's book focuses on the development of a solid system for internal control of fixed assets, as well as cleaning up past errors and omissions.

Nicholas A. J. Hastings has given a theory on physical asset management in the year 2015, this book presents a systematic approach to the management of physical assets from the concept to disposal. This book aim is to develop the general principles of asset management in order to make them accessible to a wide range of audience.

Mohammad zain has given a book on certified management accountant in the year 2019, this book is about all the aspects related to a managing accountant in this book the matter related to fixed assets is that fixed assets are recorded at historical cost, depreciation is the process where expenses are matched with revenues which a fixed asset generates.

METHODOLOGY OF THE STUDY

Every project work is based on certain methodology, which is a way to systematically solve the problem or attain its objectives. It is a very important guideline and lead to completion of any project work through observation, data collection and data analysis.

According to Clifford Woody, "Research Methodology comprises of defining & redefining problems, collecting, organizing & evaluating data, making deductions & researching to conclusions."

Accordingly, the methodology used in the project is as follows: -

- Defining the objectives of the study,
- Framing of questionnaire keeping objectives in mind (considering the objectives)
- Feedback from the employees
- Analysis of feedback

Conclusion, findings and suggestions.

Sources of Data Collection:

Research will be based on two sources:

1. Primary data
2. Secondary data

In this study we have collected the data sources from secondary only, it will consist of different literatures like books which are published, articles, internet, the company manuals and websites of company- www.bsnl.com. In order to reach relevant conclusion, research work needed to be designed in a proper way.

This research methodology also includes:-

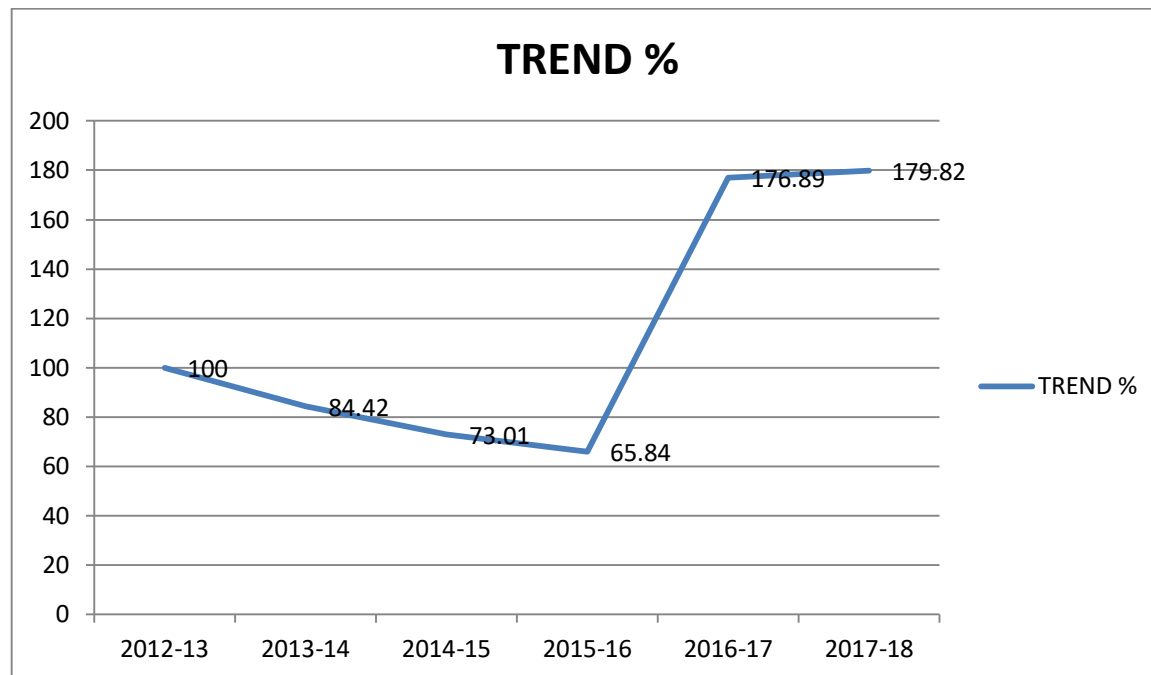
- Familiarization with the concept of finance and its various merits, demerits.
- Thorough study of the information collected.
- Conclusions based on findings.
- From the annual reports maintained by the company
- Data collected from company's website
- Books and journals pertaining to the topic

DATA ANALYSIS

1) We compare fixed assets through the trend analysis:

GROWTH RATE IN FIXED ASSETS:

YEAR	FIXED ASSETS	TREND %
2012-13	64,55,700	100
2013-14	54,49,945	84.42
2014-15	47,13,414	73.01
2015-16	42,50,701	65.84
2016-17	114,19,935	176.89
2017-18	116,08,772	179.82

**2) FIXED ASSETS TO NET WORTH RATIO:**

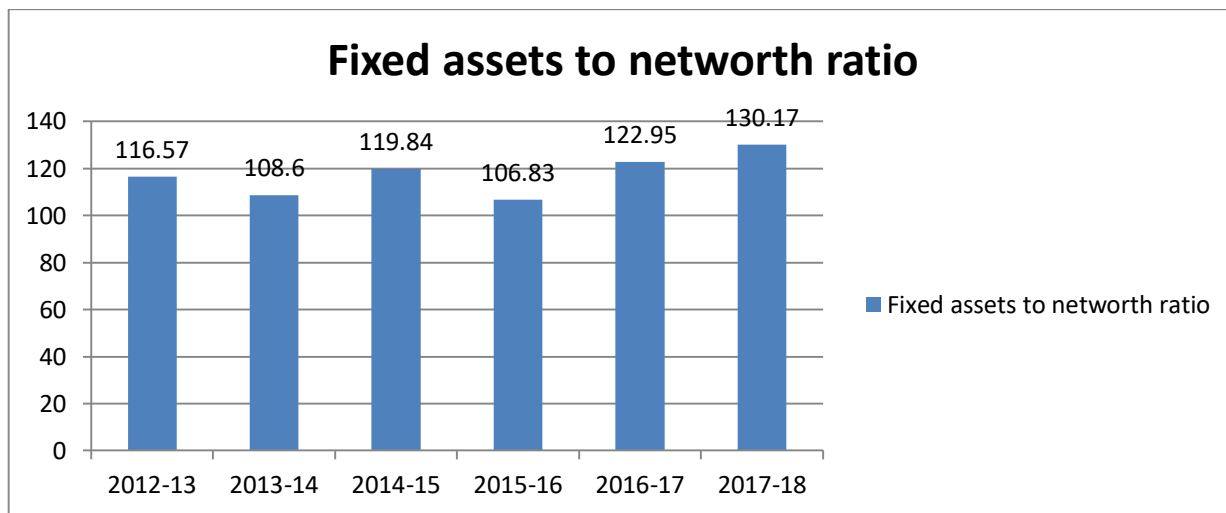
This ratio establishes the relationship between fixed assets and net worth.

Net worth = share capital + reserves and surplus + retained earnings-/+ net profit/loss

Fixed assets to net worth ratio = $\frac{\text{Fixed assets}}{\text{Net worth}}$

Net worth

YEAR	NET FIXED ASSETS	NET WORTH	RATIO IN %
2012-13	64,55,700	5537796	116.57
2013-14	54,49,945	5018319	108.60
2014-15	47,13,414	3933034	119.84
2015-16	42,50,701	3978782	106.83
2016-17	1,14,19,935	9288103	122.95
2017-18	116,08,772	8917957	130.17

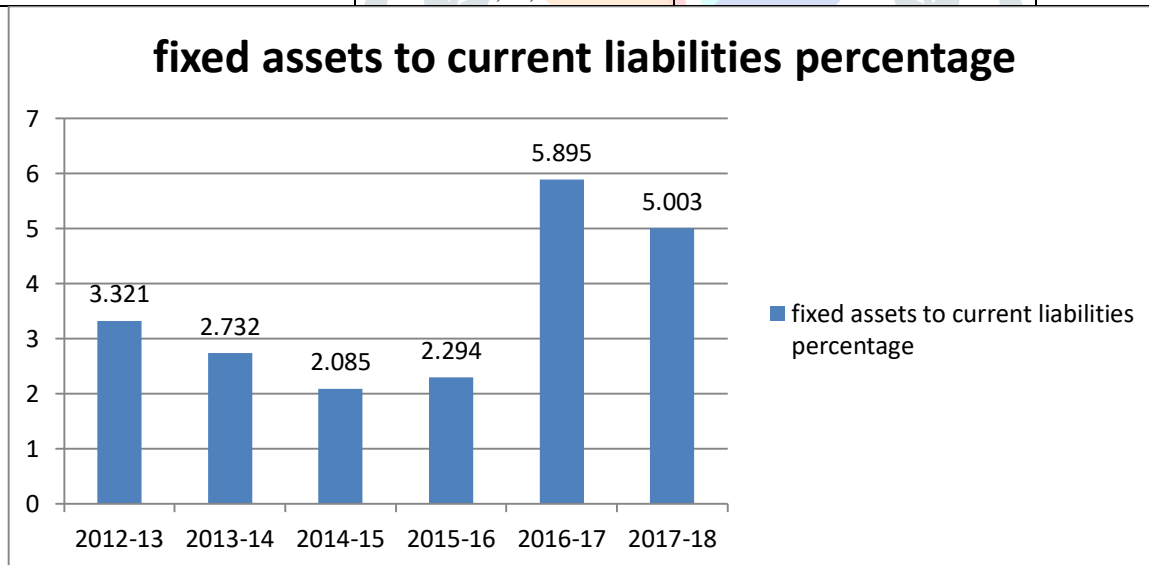


3. FIXED ASSETS AS A PERCENTAGE TO CURRENT LIABILITIES:

The ratio measures the relationship between fixed assets and the funded debts and is very useful to the long term erection. The ratio can be calculated as shown below fixed assets as a percent of

$$\text{Current liabilities} = \frac{\text{Fixed Assets}}{\text{Current liabilities}}$$

YEAR	FIXED ASSETS	CURRENT LIABILITIES	RATIO
2012-13	64,55,700	1944007	3.321
2013-14	54,49,945	1994332	2.732
2014-15	47,13,414	2260356	2.085
2015-16	42,50,701	1852307	2.294
2016-17	1,14,19,935	1937048	5.895
2017-18	116,08,772	2320111	5.003



FINDINGS

After the analysis of the BSNL data the following are the findings I have discovered:

- In the trend analysis of fixed assets we can see that fixed assets are increasing in the last two years so this is a good sign for the company. When compared to the years 2013-2018 it has been continuously increased from 100% to 179.82%.
- The ratio of fixed assets to net worth indicates the extent to which shareholders funds are sunk into fixed assets here it is more than 100% in every year that means the owner's funds are not sufficient to finance fixed assets; the financier has to depend on outsider to finance the fixed assets.
- Fixed assets to current liabilities ratio the percentage of fixed assets to current liabilities has been decreased in the first 4 years to ratio 2.294, and in 2016-17 there has been greater increase to ratio 5.895. later in 2017-18 it has been slightly decreased to 5.003. The increase in this ratio is very useful for long term erection.
- Qualification of employees is not match his posts.
- Revenues policies of BSNL are not properly implied.
- Departmental process so long.
- Proper computerizing of department is not satisfactory
- Coordination's of departments are not satisfactory.
- Highly dues of intra/inter circle transfer of funds which is leave our effect in Liabilities side in balance sheet.

SUGGESTIONS

The following are the suggestions after the analysis:

- It is suggested to improve the position of the company by effective's utilization of fixed assets.
- Growth rate in fixed assets can be increase by employing more investment.
- Total investment to sales can be improved.
- Maximum reserves should be maintained by the organization
- It is high time for BSNL to improve their operating efficiency. They should concentrate on increasing both their operating revenues as well as other revenues.
- Depreciation is a significant charge against their operating profit. So that the company should take utmost good care in maintaining their fixed assets.
- BSNL should develop their customer base of mobile as well as broadband users as they are two major source of income. They should also try to improve revenue from other operators.
- BSNL should conduct a brand revitalization campaign which can attract more new users as well as maintain existing customers.
- They should make effective utilization of the large reserves available.
- BSNL can explore other areas to improve the revenue generation.
- They can consider for public issue and issue debt securities.
- The root cause for existing financial crisis is the unproductive investments.

CONCLUSION

The Fixed asset management of BSNL is quite comfortable with a judicious mix of debt and equity. The overall assessment of financial statement signifies that there is no efficient utilization of the investments, loans and advances. The profitability of the company appears to be drastically poor. The management discussions and analysis by Director's report and opinions expressed by Auditor's report through fixed asset management statements is true and fair view in accordance with the provisions of the companies Acts, and Accounting standards. The overall fixed asset management of the company appears to be satisfactory if they utilize the fixed assets effectively and efficiently.

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TEXT BOOKS:

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- RATIO ANALYSIS by F.M.MORLEY
- RATIO ANALYSIS FUNDAMENTALS –GOOGLE BOOKS
- FINANCIAL MANAGEMENT by I.M.PANDEY
- FINANCIAL MANAGEMENT by ICAI BOARD
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