A STUDY ON INVENTORY MANAGEMENT IN TULYA BEVERAGES

NARANAMANGALAM, PERAMBALUR DISTRICT

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ABSTRACT

Finance is the life blood of an enterprise. Every enterprise, weather big medium or small need a finance to carry its operation and to achieve its target. The business finance usually deals with the country. An inventory control is vitally important to almost every type of business, whether product or survey oriented. Inventory control touches almost every facets if operation. A proper balance must be struck to maintain proper inventory with minimum financial impact on the customer. Inventory control is the activities that maintainers stock keeping items at desire levels. In manufacturing since the focus is on physical product, inventory control focus on material control. The term inventory and stock are used interchangeability in general usage. However the term ―STOCK‖ is more relevant in trading firms where goods are purchased for resale. Inventory management is the integrated functioning of an organization dealing with supply of material allied activities in order to achieve the maximum co-ordination and optimum expenditure on materials. Inventory control is the most important of inventory management and it forms the nerve centre in any inventory management organization on inventory management system is an essential element in an organization. It is comprised of a series of processes, which provide an assessment of the organization‘s inventory.

KEY WORDS: *TULYA BEVERAGES, INVENTORY, RATIO ANALYSIS, COMPARATIVE STATEMENT*

INTRODUCTION

Inventory means all movable items in store either ready for sale or for consumption in the course of production with a view convert them in to finished stock for sales. The inventory includes stock of raw material, work in progress, finished goods and accessories. Inventory from an integral part of working capital and requires a considerable investment. Is therefore necessary to have a control over the inventories. Inventory control is a system which ensures the provision of the required quantity of inventory of required quality at the required time with the minimum amount of capital investment. Thus the function of inventory control is to obtain the maximum inventory turnover with sufficient stock to meet all requirements. Inventory is an essential part of an organization. Every business or manufacturing organization however big or small to maintain some industry. A production is basic activity of all industry units. All other activities revolve around these activities. Production revolves the step by step conversion of one form of material into another. Through chemical or mechanical processing to create on enhances the utility of the product or service. Inventory includes raw materials, stores and supplies spare parts, tools, components partly finished goods ready for sale. In a chain manufacturing activities, the finished product of processor sometimes becomes the raw material or components for the other manufacturing unit does not always finished already made product. It includes stock at primary and secondary packing materials

OBJECTIVES OF THE STUDY

- To analyze the efficiency of inventory management of TULYA BEVERAGES PVT .LTD, PERAMBALUR.
- Analyses the various types of tools where used in inventory control management.
- To admitted various techniques to evaluate the performance of inventory control

NEED OF THE STUDY

a) Every organization needs to inventory for smooth running of its activities.

b) It serves as a link between production and distribution processes.

c) The investment in inventory constitutes the most significant part of current assets/ working capital in most of the undertaking.

d) Thus it is very essential to have proper control and management of inventories.

IMPORTANCE OF THE STUDY:

With the available statistics of different policies, the study was conducted at the micro level. No study has so far been conducted at the micro level. Hence, as the study as the kind has been under taken. One would be able to know the various types of policies serves the needs of the people.

AREA OF THE STUDY:

The study on inventory management of the industry in Tulya beverages pvt. Ltd. in Perambalur district.

SECONDARY SOURCES OF DATA

1. The data are collected from annual reports maintained by the company of past two years.
2. Data collected from the company‘s website.
3. Books and journals pertaining to the topic
4. The data are collected from libraries.

TOOLS USE IN THE ANALYSIS:

- ABC Analysis
- FSN Analysis
- Trend Analysis
- Ratio Analysis

REVIEW OF LITERATURE

A Study on inventory management by author Bern at de William in the year 2008: The study tells that the main focus of inventory management is on transportation and where housing. The decision taken by management depends on the traditional method of inventory control methods. The traditional method of inventory management is how much useful in these days the author tell about it. He is also saying that traditional method is not a cost reducing and it is so much expensive but managing the inventory is important work for any manufacturing.

Giannoccaro, P Pontrandolfo, and B Scozzi - European Journal of Operational 2003. This paper presents a methodology to define a supply chain (SC) inventory management policy, which is based on the concept of echelon stock and fuzzy set theory. In particular, the echelon stock concept is adopted to manage the SC inventory in an integrated manner, whereas fuzzy set theory is used to properly model the uncertainty associated with both market demand and inventory costs (e.g. holding and backorder costs).The methodology on a three stage SC so as to show the ease of implementation. Finally, by adopting.

Silver Edward. An In Dec 22, 2002 Production of Inventory Management Iocernal) The article considers the context of a population of items for which assumption underlying the EOQ derivation holds reasonable well. However the cash in practices there is frequently is an aggregate constraint. They are,

a. Existence of budget to be allocated among the stock of items.
b. A purchasing production facility having the capability to process at most certain number of replenishment per year.

Pandey (2004), **Excellence Inventory Management,** Effective inventory management processes helps increase operational efficiency of firms; improves customer service; reduces inventory and distribution costs; and enables businesses track items and their expiration dates consequently balance between availability and demand.

DATA ANALYSIS AND INTERPRETATION

INVENTORY TURN OVER RATIO

Inventory turnover is a ratio showing how many times a company has sold and replaced inventory during a given period. A company can then divide the days in the period by the inventory turnover formula to calculate the days it takes to sell the inventory on hand

TABLE 1 INVENTORY TURNOVER RATIO

YEAR	COST OF GOODS SOLD	AVERAGE STOCK	RATIO
2014-15	2939	547.74	5.36
2015-16	3955.2	556	7.11
2016-17	5207.7	704	7.39
2017-18	7034.9	1023.2	6.88
2018-19	1812.9	1101.7	1.64

Source: secondary data

The ratio indicates the efficiency of the firm in selling its product it is calculated by dividing the cost of goods sold with average inventory.

For Tulya Beverages Pvt Ltd, Financial Statements and Chemical Ltd, the efficiency is decreasing in the year of 2015-08. It is 7.39, which is highest recorded. After that it went on decreasing to lowest of 1.64 in 2017-18. It shows that is no proper control over the inventory by the management.

HOLDING PERIOD RETURN:

Holding period = 365 / ITR

The Holding Period Return (HPR) is the total return on an asset or investment portfolio over the period for which the asset or portfolio has been held. The holding period return can be realized if the asset or portfolio has been held, or expected if an investor only anticipates the purchase of the asset.

TABLE 2. HOLDING PERIOD RETURN

YEAR	NUMBER OF DAYS IN YEAR	INVENTORY TURNOVER RATIO	HOLDING PERIOD RETURN
2014-15	365	5.36	68.09
2015-16	365	7.11	51.33
2016-17	365	7.39	49.39
2017-18	365	6.88	53.05
2018-19	365	1.31	222.56

Source: Secondary data

The ratio indicates the speed with which the stock or inventory gets converted in to cash i.e., sales the lower the period, the better liquidity of the inventory. Tulya Beverages Pvt Ltd Financial Statements and chemical ltd showed a holding period return of nearly Tulya Beverages Pvt Ltd Financial Statements and chemical ltd showed a holding period return of nearly 37 days in the year of 2014-15, which is very better compare to other years then it is gradually increased to 98days in 2017-18 which means the liquidity of inventory is not better.

CURRENT RATIO

The relationship between current assets and current liabilities is established by Current Ratios. It attempts to measure the ability of a firm to meet its current obligations. Current assets and current liabilities comprise of two pivotal components of this ratio.

TABLE 3 CURRENT RATIO

YEAR	CURRENT ASSETS	CURRENT LIABILITIES	RATIO
2014-15	1468	472.31	3.11
2015-16	1533	512.08	2.99
2016-17	1995	730.57	2.73
2017-18	2390	878.23	2.72
2018-19	1994.4	677.73	2.94

Source: Secondary data

The current ratio is calculated by dividing current assets with current liabilities. It is a measure of firm‘s short-term solvency. As conventional rules a current ratio of 2:1 is satisfactory. Tulya Beverages Pvt ltd Financial Statement ltd has a current ratio in the year 2014- 15 was recorded 3.11 and in and in the year 2015-16 it was 2.99 after 2016-17 it was in decreasing trend but during in the ratio is 2.94 which is above the standard ratio.

ABSOLUTE LIQUID RATIO

The relationship between the absolute liquid assets and current liabilities is established by this ratio. Absolute Liquid Assets take into account cash in hand, cash at bank, and marketable securities or temporary investments. The most favourable and optimum value for this ratio should be 1: 2. It indicates the adequacy of the 50% worth absolute liquid assets to pay the 100% worth current liabilities in time

TABLE 4 ABSOLUTE LIQUID RATIO

YEAR	CASH	CURRENT LIABILITY	RATIO
2014-15	105.58	472.31	0.22
2015-16	154.90	512.8	0.30
2016-17	217.39	730.57	0.30
2017-18	105.58	878.23	0.12
2018-19	162.31	677.73	0.24

Source: Secondary data

The ratios establish the relation between cash and current liabilities. Cash is the most or absolute liquid asset for any firm. The accepted standard ratio

The absolute liquidity ratio of TULYA BEVARAGES PVT LTD Financial Statement was not up to the mark during all the years 2014-15, it shows an increasing trend up to next year. In the year of 2016-17 is same. During the year of 2017-18 it was declined that means it has never reached the standard of 0.5.The situation is due to very small balance of cash maintain by the firm for its Financial statements requirements. In the year 2017-18 the firm shows an increasing trend.

TABLE 5 STATEMENT SHOWING CHANGES IN STOCK AT THE END OF THE YEAR

YEAR	OPENING STOCK	CLOSING STOCK	INCREASE/DECREASE
2014-15	623.39	707	83.61
2015-16	707	991.05	284.06
2016-17	991.05	141141	420.35
2017-18	1411.41	1164.56	246.85
2018-19	1164.56	1316.70	152.13

Source: secondary data

The above statement showing about the details of stock at the opening of the year at the closing in the year of 2014-15 there is decrease in the end of the year.

DEBTORS TURNOVER RATIO

TABLE 6 DEBTORS TURNOVER RATIO

YEAR	SALES	AVERAGE DEBTORS	RATIO
2014-15	5214.83	271.91	13.93
2015-16	3680.32	264.14	19.17
2016-17	6553.88	315.31	20.78
2017-18	8746.55	260.9	33.52

2018-19	6497.69	241.18	26.94

Source: Secondary data

Book debts are expected to be converted in to cash over a short period and therefore are included in current assets the liquidity position of the firm depends on the quality of a great extent. The ratio indicated the number of items on an average that the turn over takes places each year generally the ratio the more efficient is the management of credit. Limited, maintain a good ratio of 33.52 in the year 2017-18 it was decreased to 13.93 in the year of 2014-15 ,which not good compared to all the previous years.

AVERAGE COLLECTION PERIOD:

ACP = 365 / Debtor turnover ratio

The average collection period is calculated by dividing the average balance of accounts receivable by total net credit sales for the period and multiplying the quotient by the number of days in the period. Average collection periods are most important for companies that rely heavily on receivables for their cash flows.

TABLE 7 AVERAGE COLLECTION PERIOD

YEAR	NO. OF DAYS	DTR	PERIOD
2014-15	365	13.91	26.25
2015-16	365	19.17	19.04
2016-17	365	20.78	17.56
2017-18	365	33.52	10.88

2018-19	365	26.94	13.54

Source: Secondary data

The ratio indicates the period in which debt can be recovered. From the above table in the year 2014-15are 26.25 which is good, where it was decreased in the year 2017-18, which is not good.

COMPARATIVE BALANCE SHEET FOR THE YEARS OF 2014 - 2015

TABLE 8

Particulars	**2014**	**2015**	**Inc / dec**	**Inc./dec.(%)**
Inventories	15,599,946	9,136,489	6,463,457	241.35
Sundry Debtors	6,424,064	1,308,193	5,115,871	1225.01
Cash & Bank	527,893	469,006	58,887	896.45
Dep. Loan & advertisement	6,947,102	5,001,913	1,945,189	357.14
Total Current Assets	15,459,005	15,915,601	-456,596	17.21
Fixed assets	352,867,312	36,202,145	316,665,167	-3.85
Investment	897,226	84,666	812,560	17.73
Total assets	352,957,036	362,106	352,594,930	3.85
Current liabilities	3,300,000	5,197,773	-1,897,773	118.69
Provisions	6,424,064	1,827,966	4,596,098	125.57
Total Current Liabilities	9,734,064	1,827,966	7,906,098	295.01
Mix .expenditure	255,885	382,152	-126,267	144.55
Share capital	89,960,325	91,049,757	-1,089,432	8.25
Reserves & surplus	51,054,595	864,264	50,190,331	101.72
Total reserves and surplus	141,240,805	92,296,173	48,944,632	278.78
Secured loans	327,925	1,079,260	-751,335	43.64
Unsecured loan	22,655,183	1,097,207	21,557,976	105.08
Total Loan	6,947,102	5,001,913	1,945,189	33.38

Total Liabilities	113,086,533	103,224,211	9,862,322	1.14

Source : Secondary data

On comparing the balance sheet of company for the year ending 2014-2015 current assets have been increased 88.3%, the total assets have been decreased by -92.95%, total reserves and surplus have been by 1.11%, the total liabilities and capital have been decreased by 33.38%.

COMPARATIVE BALANCE SHEET FOR THE YEARS OF 2015-2016

TABLE 9

COMPARATIVE BALANCE SHEET FOR THE YEARS OF 2015-2016

Particulars	2015	2016	Inc / dec	Inc./dec.(%)
Inventories	144,59,946	223,74,212	-67,74,266	-230.28
Sundry Debtors	13,08,193	37,10,200	-24,02,007	-183.61
Cash & Bank	4,69,006	578565	-1,09,559	-23.35
Dep. Loan & advertisement	50,01,913	100,15,130	-50,13,397	0.09
Total Current Assets	**223,79,058**	**36,678,287**	**-7,50,693**	**-437.14**
Fixed assets	287,18,916	21,40,191	265,78,275	92.54
Investment	10,79,260	48,81,727	-38,02,467	-352.32
Total assets	**297,98,176**	**70,21,918**	**227,75,808**	**-259.78**
Current liabilities	1,74,690	2284,81,173	1741,70,600	99.7
Provisions	5,19,773	65,00,000	-1,30,227	79.96
Total Current Liabilities	**1752,10,146**	**2291,31,173**	**1740,40,373**	**179.66**
Mix .expenditure	3,53,108	4,3,1862	-78,754	-22.3

Share capital	3,00,000	257,00,000	254,00,000	8466.66
Reserves & surplus	653,49,757	671,50,522	1025,00,279	156.84
Total reserves and surplus	660,02,865	932,82,384	1278,21,525	8601.2
Secured loans	10,79,260	48,81,727	-38,02,467	-352.32
Unsecured loan	109,72,207	5,07,970	109,14,237	99.47
Total Loan	**120,51,467**	**538,66,997**	**7,11,770**	**59.01**
Total Liabilities	**1,746,90,373**	**2,284,81,173**	**-537,90,800**	**-30.79**

Source: Secondary data

On comparing the balance sheet of company for the year ending 2015-2016 current assets have been increased 156.84%, the total assets have been decreased by -92.68%, total reserves and surplus have been by 0.07%, the total liabilities and capital have been decreased by 99.47%.

COMPARATIVE BALANCE SHEET FOR THE YEARS OF 2016-2017

TABLE 10

COMPARATIVE BALANCE SHEET FOR THE YEARS OF 2016-2017

Particulars	**2016**	**2017**	**Inc / dec**	**Inc./dec.(%)**
Inventories	1,03,310	1,58,710	-55,400	-186.48
Sundry Debtors	29,59,454	55,00,000	-25,40,546	53.8
Cash & Bank	91,700	33,570	58,130	63.39
Dep. Loan & advertisement	6,800	106,87,610	-106,80,810	-0.06
Total Current Assets	**31,61,264**	**163,79,890**	**-360,83,626**	**-69.35**
Fixed assets	61,91,059	3738,83,761	-3,67,692	-1.68
Investment	296,04,064	61,91,059	234,13,005	126.44
Total assets	**357,95,123**	**3800,74,820**	**344,279,697**	**124.76**
Current liabilities	1,22,987	4298,62,777	-4297,39,790	-0.02

Provisions	36,77,219	126,72,874	-89,95,655	40.87
Total Current Liabilities	**38,00,206**	**442,535,651**	**-4387,35,445**	**40.85**
Mix .expenditure	17,80,514	66,48,427	-48,67,913	-36.57
Share capital	3,00,000	257,00,000	-254,00,000	-1.181
Reserves & surplus	4,19,038	677,98,650	-675,67,612	-0.06
Total reserves and surplus	24,99,552	1001,47,077	-7078,35,525	-37.81
Secured loans	8,41,370	6,93,273	1,48,097	568.12
Unsecured loan	3,183,56,403	15,34,643	3,168,21,760	100.48
Total Loan	**319,197,773**	**2,227,916**	**316,969,857**	**668.6**
Total Liabilities	**36,55,430**	**36,77,219**	**-21,789**	**-167.76**

Source: Secondary Data

On comparing the balance sheet of company for the year ending 2016-2017 current assets have been increased 141.61%, the total assets have been decreased by -96.95%, total reserves and surplus have been by 1.17%, the total liabilities and capital have been decreased by 40.85%.

TABLE 11

COMPARATIVE BALANCE SHEET FOR THE YEARS OF 2017-2018

Particulars	**2017**	**2018**	**Inc / dec**	**Inc./dec.(%)**
Inventories	2,09,414	7,87,894	-5,78,480	-36.2
Sundry Debtors	21,789	8,873	12,916	168.69
Cash & Bank	25,70,000	300,00,000	274,30,000	9.36
Dep. Loan & advertisement	106,87,610	70,74,782	36,12,828	33.8
Total Current Assets	13,488,813	378,71,549	304,77,264	175.65
Fixed assets	399,06,6550	378,83,762	-36,98,930	-9268.95
Investment	61,91,059	5,600,060	59,09,99	9.54
Total assets	**4052,57,609**	**3794,83,822**	**-31,07,931**	**-925.4**

Current liabilities	3183,56,403	3291,22,891	-107,66,488	-3.38
Provisions	3347,06,497	3434,83,057	-87,76,560	-2.062
Total Current Liabilities	**6530,62,900**	**6726,05,948**	**-195,43,048**	**-6.002**
Mix .expenditure	538,91,000	958,98,746	-420,07,746	-77.94
Share capital	310,03,42	309,94,20	9,22	0.02
Reserves & surplus	677,98,650	6775,0,240	48,410	0.07
Total reserves and surplus	1247,89,992	1667,48,406	-419,58,414	-77.84
Secured loans	6,93,273	2,30,893	4,62,380	66.69
Unsecured loan	8,41,370	165,06,595	-156,66,225	-1861.98
Total Loan	**15,34,643**	**167,37,488**	**-152,03,845**	**-1795.29**
Total Liabilities	**36,77,219**	**17,14,651**	**19,62,568**	**53.37**

Source: Secondary Data

On comparing the balance sheet of company for the year ending 2017-2018 current assets have been increased -1795.29%, the total assets have been decreased by -98.95%, total reserves and surplus have been by 1.13%, the total liabilities and capital have been decreased by -6.002%.

TABLE 12

COMPARATIVE BALANCE SHEET FOR THE YEARS OF 2018-2019

Particulars	**2018**	**2019**	**Inc / dec**	**Inc./dec.(%)**
Inventories	321,33,044	221,68,368	2991,64,676	931.01
Sundry Debtors	73,600	32,700	40,900	179.95
Cash & Bank	2,09,938	11,40,644	-9,,30706	-22.55
Dep. Loan & advertisement	70,74,782	85,09,559	-14,34,777	-493.09
Total Current Assets	**3286,91,364**	**396,77,6764**	**22,89,786**	**595.32**
Fixed assets	3990,66,550	3967,76,764	-13,99,733	-400.08

Investment	56,00,060	69,99,793	-13,99,733	-299.51
Total assets	**4046,66,610**	**403,77,6557**	**8,90,053**	**-299.51**
Current liabilities	17,14,651	63,63,018	-46,48,367	-4648367
Provisions	3434,83,056	3732,27,714	-297,44,658	-1154.77
Total Current Liabilities	**3451,97,707**	**3795,90,732**	**-337,93,,025**	**-1191.65**
Mix .expenditure	30,99,420	31,98,892	-99472	-3115.87
Share capital	257,00,000	2,57,000	254,43,000	101.01
Reserves & surplus	677,50,240	463,68,165	213,82,075	316.85
Total reserves and surplus	965,49,660	498,24,057	120,37,278	-2698.01
Secured loans	1,55,887	2,30,893	-75,006	-207.83
Unsecured loan	43,00,754	165,06,595	-122,05,841	-35.23
Total Loan	**44,56,641**	**167,37,488**	**-122,80,847**	**-243.06**
Total Liabilities	**510,86,045**	**17,05,778**	**493,80,267**	**1034.54**

Source: Secondary Data

On comparing the balance sheet of company for the year ending 2018-2019 current assets have been increased -243.06%, the total assets have been decreased by -95.68%, total reserves and surplus have been by 2.23%, the total liabilities and capital have been decreased by 1191.65%.

FINDINGS OF THE STUDY

- With reference to the financial statements study of Tulya beverages pvt ltd Financial Statement quantity of financial statements is contributed by short source of finance.
- In these gross financial statements of the firm, a major part is occupied by inventory and sundry debtors.
- The current ratio is maintained by the company is 2:1; the company exceed minimum current ratio at all the years statement.
- The quick asset ratio minimally maintained by the company are 1:1, the company was satisfy this position up to 2016.
- The absolute liquid ratio is not satisfied position fluctuations are take place it is high and

some at the years 2016 to 2017.

- Inventory turn ratio is well in satisfied position it is high at 2016-17. It is very poor at the current year of the study that is 1.64.
- In the debtor turnover ratio is also at well satisfied position it is highly obtain at the year of 2017-18. The current position is less than that of previous year that is 26.94.
- Average collection period high is at the 2015 and is poor at 2018.
- In order to achieve to the goals of the organization as whole and achievement of performance appraisal technique is very useful.
- The company has been maintaining sufficient amount of Financial statements in all the years

SUGGESTIONS OF THE STUDY

- Suggested the company should follow the present financial statements.
- The company spends reasonable amount on inventory so that it should be followed.
- The current ratio is maintained at a satisfied level. So that company peruses this much of current assets to meet the objective of the firm.
- Company is maintaining high quick assets to overcome current liabilities for better results.
- For better results company has to maintain cash inflows to overcome current liabilities of the firm.
- To gain good profits company has to improve the sales through inventory management.
- The company should try to reduce external liabilities, having paid high EPS & DPS.
- The company should make arrangement of receivables and cash.

CONCLUSION

Financial statements management analysis is an in depth analysis. Overages the entire financial management them with refers to integrated. The Tulya beverages pvt ltd Financial

Statement Company, which gives preference to the common, mans privilege. Hence, it is on integrated approach and constant measure may be adopted for better managerial performance. Financial statements analysis it criteria is distinctive work while and commendable technique in postulating the financial behavior of business enterprise. Thus, financial statements management which integrated, internal, intermediate, and organization based financial and analytical measurement the study always a strategic measurement with reference in performance, growth expansion and modernization of the business

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