A STUDY ON MARGINAL COSTING IN SUNDARAM FINANCE AT TRICHY

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ABSTRACT

One of the important issues of finance management is the most effective possible use of the finance capacity as the global level of the finance fixed expenses depends on the units finance capactity and their level per product unit diminishes as the degree on the units finance capacity tends to be optimum. Accordingly to a certain volume of achieved finance one may add or subtract,under certain circumstances, a certain volume of products at the same time,the increases or the decreases of finance value determination the changes of total finance cost of the unit.As the level of the total costs correspondingly to the finance that is going to be achieved in the sum of total finance with the determined by the added or subtracted finance volume.The finance which are the level of costs corresponding to the finance that is going to be achieved of the decision of increasing or decreasing of stratum,lot,and margin.

INTRODUCTION

Marginal Costing is the process of identification, measurement, accumulation analysis, preparation, interpretation and communication of information used by management to plan, evaluate and control within an entity and to assure appropriate use of and accountability for its resources. Management accounting also comprises the Preparation of financial report for non management groups such as share holders, creditors, regulatory agencies and taxauthorities.

Marginal costing is not a separate method of costing like contract costing, process costing or operating costing rather it is a specific technique of costing where variable cost for different levels of sales is presented in such a manner that manager can take day to day decisions.

Marginal cost means change in cost which will be observed when Production is increased or decreased by one unit up to a certain level of Production. As fixed cost is fixed, change in cost will be equal to variable cost per unit. Thus from practical point of view, marginal cost is just equal to overall variable cost per unit.Where overall variable cost per unit is sum total of the followings. The marginal cost is the cost to produce one additionalunit.

This cost would include the raw materials used to make the item, the average labour cost of the item, the average machine or hardware cost associated with creating the item. Marginal costs are sometimes very difficult to assess. First, we must determine the useful life of our machinery that can be a very subjective determination. Typically, the raw material is easy to assess, although not always, determining Marginal cost is much easier in a manufacturing setting that it is in a service oriented area.

REVIEW OF LITERATURE

Title: Budgetary Control

Author: Venkateswara Rao and Rajesh

Publication: 2013

"Responsibility for Sustainability – The Changing Face of Corporate Social Responsibility" stated that organizations should design welfare schemes keeping in view the well-being of employees. This is because, the provision of welfare facilities leads to a motivate

Title: Working Capital Management

Author: Dr Panigrahi Ashok Kumar (2012)

Publication: 2012

Studies the relationship between working capital management and profitability of ACC cement company, the leading cement manufacturer of the country for assessing the impact of working capital management on profitability during the period 1999-2000 to 2009-10.ythe study is based on secondary data. the main objective of the study was to find whether the working capital management affect the performance of the firm. It can be deduced that there is a moderate relationship between working capital management and the firm's profitability.

Title: Budgetary Control

Author: Scholleova Hana

Publication: 2012

Highlights the impact of economic crisis in the economy at the micro economic level. The crisis that began in 2007 as a financial crisis has naturally grown into an economic one. The article is elaborated as one of the outputs of researching project new theory of economy and organizations" management and their adaptation processes registered at MSMT of the Czech Republic under registration number MSM 6138439905. The paper concludes with the view that the companies that survived during the recession have optimized the assets and increased the efficiency of financing through active management.

OBJECTIVES OFSTUDY

Marginal costing as an essential tool for decision-making. Marginal costing technique of cost accounting tends to separate cost into variables and fixed components. Bearing this mind, the objectives of this study among other things include:

- An evaluation of the marginal costing technique towards ascertaining its effectiveness andefficiency.
- Finding out any inherent deficiencies in itsapplication.
- To determine the condition for cost control and analysisand
- Examine how management under this technique makes productdecisions.

SCOPE OF THESTUDY

This study is limited to the survey of how the marginal costing technique is used to make decision at the Sundaram Finance and how effective and efficient it is to the company. This investigation is not to be taken as an exhaustive piece.

RESEARCH METHODOLOGY

Research methodology is the systematic design, collection, analysis and reporting of data and findings relevant to a specific marketing situation facing a company. It may be understood as a science of study how research is done scientifically. In it we study the various steps that are generally adopted by a researcher in studying his research problem along with the logic behind them. Researchers not only need to know how to develop various tests, but also to apply particular research techniques that are relevant. Research methodology can be undertaken by many creative and affordable ways such as:

DATA

YEARS	CURRENT ASSET	CURRENT LIABILITIES	COMPOSITE CURRENT RATIO
2013-2014	3227093	2005064.40	1.609471
2014-2015	4100624.5	3459718.53	1.185248
2015-2016	3932011.3	3595751.02	1.093516

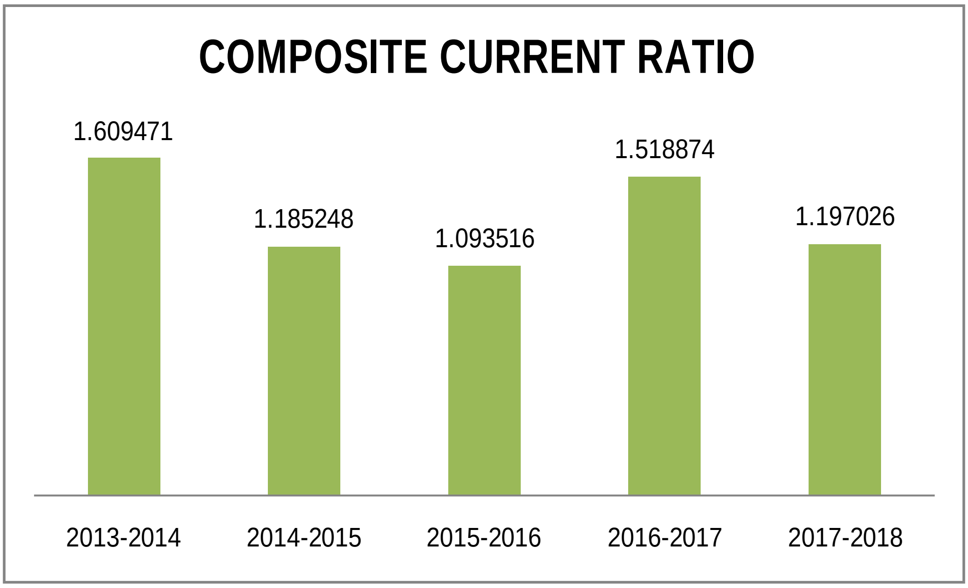
ANALYSIS AND INTERPRETATION

2016-2017	4375056	2880460.13	1.518874
2017-2018	6064460	5066272.58	1.197026

SOURCE: SECONDARY DATA

INTERPRETATION:

It can be seen from the above table no- 4.1 and the curve /chart no.-4.1 that the current ratio for the industry was at healthy level of 2013 -2014 1.6 in the beginning of the decade. Then from 2014-2015 onwards it assumed the demising trend and at the end of the 2016 i.e. in the year 2016-2017 it reached the level around 1.51 which is considered to be very healthy level. Which means that since 2013-2014 these Automobile units in Chennai have been able to, by and large, maintained the current ratio at healthylevel.



YEARS	LIQUID ASSETS	QUICK LIABILITIES	COMPOSITE QUICK RATIO

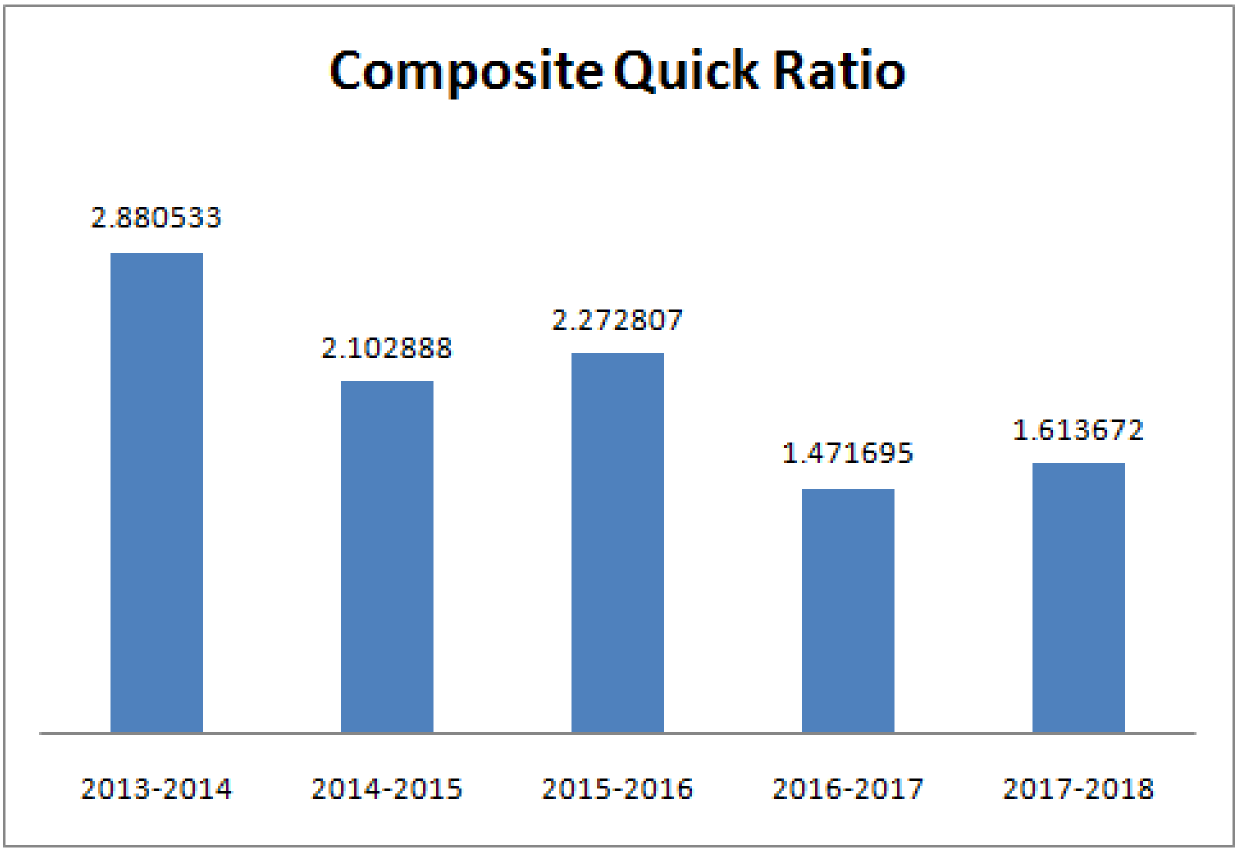
2013-2014	798830	277320.20	2.880533
2014-2015	5899370	2805365.76	2.102888
2015-2016	6907759	3039307.34	2.272807
2016-2017	8903216	6049633.93	1.471695
2017-2018	10770196	6674340.26	1.613672

SOURCE: SECONDARY DATA

INTERPRETATION:

It can be seen from the above table no-4.2 and the curve /chart no.-4.2 that the current ratio for the industry was at healthy level of 2013 -2014 2.88 in the beginning of the decade. Then from 2014-2015 onwards it assumed the demising trend 2.10 with next rising level of 2.272 with the end of the 2016 i.e. in the year 2016-2017 it reached the level around 1.47 which is considered to be very healthy level. Which means that since 1.61 to 2013-2014 these automobile units in Chennai have been able to, by and large, maintained the current ratio at healthylevel.

CHART 4.2 QUICK RATIO



FINDINGS FROM RATIOS

1. It can be seen from the above table no- 4.1 and the curve /chart no.-4.1 that the current ratio for the industry was at healthy level of 2013 -2014 1.6 in the beginning of the decade. Then from 2015-2016 onwards it assumed the demising trend and at the end of the 2016 i.e. in the year 2017-2018 it reached the level around 1.51 which is considered to be very healthy level. Which means that since 2014-2015 these Automobile units in Chennai have been able to, by and large, maintained the current ratio at healthylevel.
2. It can be seen from the above table no-4.2 and the curve /chart no.-4.2 that the current ratio for the industry was at healthy level of 2014-2015 2.88 in the beginning of the decade. Then from 2015-2016 onwards it assumed the demising trend 2.10 with next rising level of 2.272 with the end of the 2016 i.e. in the year 2017-2018 it reached the level around 1.47 which is considered to be very healthy level. Which means thatsince 1.61 to 2014-2015 these automobile units in Chennai have been able to, by and large, maintained the current ratio at healthy level.

SUGGESTIONS

This is overall general suggestions and it may very useful for the companies to get better the financial position and for the better performance.

1. The company should try to increase the production so as to get economies of large-scale production. It will assist in raising the rate of return on capitalemployed.
2. In order to increase the profitability of the companies, it is suggested to control the cost of goods sold and operatingexpenses.
3. The management should try to adopt cost reduction techniques in their companies to get over this critical situation. At the same way, to reduce power and fuel Cost Company should find out other alternative forthis.
4. The quantum of salesgenerated

CONCLUSION

Here in this Study, only financial performance measurements such as ROI, Profitability, Liquidity, Leverage and Efficiency are consider, which are directly related with Financial Objectives. Also only five years before and after mergers and acquisition are consider for each and every company financial performance. These two are also can be the limitations of this research result and study. And we also have to consider the limitations of each M&A deals' terms and conditions and the limitations of Ratio Analysisitself.

Sometimes it may be possible that some companies are easily achieve the strategic objectives but not able to achieve financial objective. For short term it's ok but for long run without good financial performance, the company is not able to go long. The strategic and the financial objectives are interdependent on each other. So each and every company has to maintain balance between strategic and financialperformance.

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