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Research Paper on “A study of Fixed Assets Management of Varroc Engineering Limited.”

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Abstract: Valuation of fixed assets is important in order to have fair measure of profit or loss and financial position of the concern. Effective fixed assets management can help businesses comply with regulatory requirements. Many industries are subject to strict regulations related to asset ownership, maintenance, and disposal. By implementing proper asset management procedures, businesses can ensure that they are in compliance with these regulations, avoiding costly fines and penalties. Properly managing fixed assets can also help companies comply with regulatory requirements, such as those related to environmental health and safety. Overall, effective fixed asset management requires careful planning, on-going monitoring, and continuous improvement to optimize the value and performance of a company's long-term investments.

I. INTRODUCTION

The study invents the valuation of fixed assets in Varroc Engineering Ltd. Valuation of fixed assets is important in order to have fair measure of profit or loss and financial position of the concern. Fixed asset management is an essential part of business operations, as it involves the management and control of the physical assets owned by a company, such as land, buildings, equipment, and vehicles. Effective management of these assets is critical to achieving a company's goals. Fixed asset management involves a wide range of activities, including acquisition, depreciation, maintenance, disposal, and replacement of assets. It requires careful planning, monitoring, and reporting to ensure that the assets are being utilized efficiently, and that they are providing the maximum return on investment.

The study of fixed asset management is important for businesses of all sizes, as it provides insights into how to effectively manage and optimize the use of fixed assets. By understanding the principles and practices of fixed asset management, companies can improve their operations, reduce costs, increase profits, and ultimately achieve their long-term objectives. This introduction provides a brief overview of the importance of fixed asset management and the reasons why studying it is crucial for businesses.

Definition of Fixed Assets Management- Fixed asset management includes a range of activities, such as acquisition, depreciation tracking, maintenance, repair, disposal, and replacement of fixed assets. The goal of fixed asset management is to optimize the use of these assets to increase the organization's profitability and minimize financial risk.

Statement of the Problem- Note that being aware of the availability of labour and constantly monitoring its effective use is important

in managing the production activities of a company. For this reason, research on fixed asset management is being conducted.

II. OBJECTIVE OF THE STUDY

1. To understand the concept of Fixed Assets Management.
2. To evaluate the performance and turnover of Fixed Assets.
3. To know the amount of capital expenditure made by the company during study period.
4. To evaluate that if fixed assets are liquidated what proportion of its amount will contributed for owner's fund and long term liabilities.
5. To identify areas of improvement in terms of Fixed Assets management in the company.

Scope of the study -The research is covered on fixed means of Varroc Engineering. The subject matter is limited to fixed assets, its analysis and its performance but not to any other areas of accounting, corporate, marketing and fiscal matters.

Significance of Study -Fixed assets are long-term tangible assets that are essential for the operation of a business, such as buildings, land, equipment, and machinery. Managing these assets effectively is critical for businesses to ensure their efficient use, maintenance, and timely replacement. Therefore, the significance of studying fixed assets management lies in its potential to help businesses improve their financial performance, reduce costs, and mitigate risks associated with asset ownership.

One of the main benefits of effective fixed assets management is, increased operational efficiency. Well-managed fixed assets can help businesses streamline their operations, reduce downtime, and

improve productivity. This is because having the right assets in place, properly maintained and available when needed, can help reduce production delays and optimize workflows. Proper asset management can also help businesses avoid over-reliance on out dated or underutilized equipment, reducing waste and inefficiency.

Another key benefit of studying fixed assets management is cost reduction. Effective asset management can help businesses control their costs by reducing unnecessary expenses associated with asset ownership, such as maintenance, repair, and replacement costs. By properly managing the life cycle of assets, businesses can avoid costly repairs and replacements by identifying assets that need to be retired before they become a liability. Properly managed fixed assets can also help businesses reduce their tax liability.

Effective fixed assets management is also critical for risk mitigation. Inaccurate or incomplete asset records can make it difficult for businesses to track their assets, increasing the risk of theft or loss. Additionally, assets that are not properly maintained can pose safety risks to employees, leading to potential legal liabilities. By implementing proper fixed assets management procedures, businesses can minimize these risks and ensure that their assets are properly tracked and maintained.

Studying fixed assets management can also help businesses improve their financial reporting. Properly managed asset records can provide a clear and accurate picture of a business's financial health, helping investors and creditors make informed decisions about their investments. Accurate financial reporting can also help businesses secure financing at more favourable rates, as lenders are more likely to extend credit to businesses that can provide reliable financial statements.

Finally, effective fixed assets management can help businesses comply with regulatory requirements. Many industries are subject to strict regulations related to asset ownership, maintenance, and disposal. By implementing proper asset management procedures, businesses can ensure that they are in compliance with these regulations, avoiding costly fines and penalties.

Limitation of the study –

1. The study is conducted for only one company.
2. The study is limited into the date and information handed by the Varroc Engineering Limited and its annual reports.
3. The report may not give exact fixed assets status and position of Varroc Engineering Limited it may be varying from time to time and situation to situation.
4. The account procedure and other account principles are limited by the changes made by the company, may vary fixed assets performance.

Hypothesis

H0: There is no relation between Fixed assets Turnover and Return on Assets.

H1: There is relation between Fixed assets Turnover and Return on Assets.

Profile of the company

Name: Varroc Engineering Limited

Varroc is a global tier-1 automotive component company. It commenced operations in India with their Polymer business in 1990 they design, manufacture, and supply exterior lighting systems, plastic and polymer components, electrical-electronics components, and precision metallic components to passenger car, commercial vehicle, two-wheeler, three-wheeler and off-highway vehicle (“OHV”) OEMs directly worldwide.

Address: Varroc Engineering Limited,

L-4, MIDC Industrial Area,

Waluj, Aurangabad – 431 136

Maharashtra, India

III.RESEARCH METHODOLOGY

Primary Data: Researcher-generated data, surveys, interviews, and experiments specifically designed to understand and solve the research question at hand

Secondary Data: Secondary data is research data that has previously been gathered and can be accessed by researchers. The term contrasts with primary data, which is data collected directly from its source.

Sample Description

- Area -Area in which the project was carried out is Varroc Engineering limited.
- Sample size-I have taken 3 years consolidated balance sheet as sample. Practically company was started decades ago.
- Sample design-Data has been presented with the help of data table, graphs and charts on the basis of balance sheet and data analysis.
- Sampling technique-For the study I have a sample size of recent 3 years balance sheet respondents pose non probability sampling technique. Further convenience sampling, as part non probability sampling techniques used.

Data Analysis, Data Representation and Interpretation

The analysis returns on fixed assets of Varroc Engineering Limited is studied with the help of following techniques.

1. Trend analysis

2. Ration analysis

Table 1 - Growth rate in Fixed Assets

Year	Fixed Assets (Amt. In Lakhs)	Trend Percentage
2019-20	5,39,475.20	100
2020-21	6,86,120.90	180.94
2021-22	6,91,809.00	182.44
2022-23	2,68,708.10	70.86

Interpretation:

1. The trend percentage in the year 2019-20 is taken as the

base year as 100% and it was increased to 182.44 in the year 2021-22.

- Average growth rate of fixed assets Rs.312608.70.

Ratio Analysis

Table 2:(Amt in lakhs)

Year	Net worth	Fixed Assets (Amt. In Lakhs)	Ratio
2020-21	302945.00	6,86,120.90	2.26
2021-22	305609.00	6,91,809.00	2.26
2022-23	201403.20	2,68,708.10	1.33

Interpretation:

The ratio of gross fixed assets to net worth fluctuates from year to year. The ratio of total fixed assets to net assets in. 2020-21 and 2021-22 it was steady and from 2022-23, the fixed assets to net worth ratio decreased by 1.33. This indicates that the use of net assets to acquire fixed assets decreased in 2022-23 Compared to 2020-21. The highest ratio was recorded in 2020-21 and 2021-22 at 2.26 and the lowest ratio was recorded in 2022-23 at 1.33.

Fixed Assets to Long term Liabilities - This ratio describes whether the company has risen enough long-term funding to meet its fixed asset needs. It is calculated as follows.

Long Term Liabilities =

Fixed Assets to

Long term Liabilities

Year	Fixed Assets (Amt. In Lakhs)	Long term Liabilities	Ratio
2020-21	6,86,120.90	1,97,560.10	3.47
2021-22	6,91,809.00	2,01,072.80	3.44
2022-23	2,68,708.10	50,710.90	5.30

Interpretation:

The Percentage of fixed assets to long-term liabilities, the ratio varies from year to year. The ratio of fixed assets to long-term liabilities is 5.30 in 2022-23. and the lowest rate is 3.44 in 2021-22. The average of fixed assets to long-term liabilities during the period was 4.59, which is less than 10, indicating that part of the working capital needs are covered by the company's long-term funds. Fixed Assets to Current Liabilities- This ratio measures the ratio of fixed assets to funded liabilities and makes for a very useful long-term chart.

The ratio can be calculated as:

Fixed Assets

Fixed Assets as a Percentage to Current Liabilities = -----

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Current Liabilities

Table 4 (Amt in lakhs)

Year	Fixed Assets (Amt. In Lakhs)	Current Liabilities	Ratio
2020-21	6,86,120.90	5,99,722.20	1.14
2021-22	6,91,809.00	6,15,850.50	1.12
2022-23	2,68,708.10	3,02,902.70	0.89

Interpretation:

This ratio was the percentage of trend change over the period. From the above table, indicating that current funds are not being used for fixed assets, which is not very satisfying. The highest ratio is 1.14, which is higher than the average ratio. The average ratio is 1.05, The lowest ratio is 0.89, which is below the average ratio.

Fixed Assets Turnover Ratio - The fixed assets turnover ratio is the relationship between the sales or cost of goods divided by capital assets employed in a business.

Sales

Fixed Assets Turnover Ratio = ----- X 100

Total Fixed Assets

Table 5 (Amt in lakhs)

Year	Sales	Total Fixed Assets(Amt. In Lakhs)	Percentage
2020-21	11,22,075.40	6,86,120.90	163.54
2021-22	11,30,275.10	6,91,809.00	163.38
2022-23	5,84,420.10	2,68,708.10	217.49

Interpretation:

The fixed asset turnover ratio for the fiscal year under review is in a fluctuating trend. In 2020-21 the ratio was recorded at 163.54 and decreased to 217.49 in 2022-23. The average ratio for the period was 208.24. The highest rate was recorded in 2021-22 at 217.49%, which is above average. The lowest ratio was 163.38 in 2021-22, below average.

Fixed Assets to Total Assets

Fixed Assets

Fixed Assets to Total Assets = ----- X 100

Total Assets

Table 6 (Amt in lakhs)

Year	Fixed Assets (Amt. In Lakhs)	Total Assets	Percentage
2020-21	6,86,120.90	1100227.30	62.36
2021-22	6,91,809.00	1122532.30	61.63
2022-22	2,68,708.10	1099800.60	24.43

Interpretation: From the above table, we can see that the ratio of fixed assets to total assets shows a fluctuating trend during the review period. 61.63% in 2021-22. Down to 24.43% in last financial year 2022-23 due to Board of director’s decision about divestment of four wheeler lightning business in America and Europe. The average ratio for the period was 52.56%. Highest ratio observed 62.36 in 2020-21, above average. The lowest ratio was 4024.43 in 2021-22, which is even lower average.

Return on Fixed Assets- This ratio is calculated to measure after-tax earnings in terms of total assets invested to determine whether assets are being used appropriately. The higher the ratio, the better for the company. The return on fixed assets can be calculated as:

Profit after Tax

$$\text{Return on Fixed Assets} = \frac{\text{-----}}{\text{Fixed Assets}} \times 100$$

Table 7 (Amt in laks)

Year	Profit After Taxes	Fixed Assets (Amt. In Lakhs)	Percentage
2020-21	250.60	6,86,120.90	0.04
2021-22	-49820.30	6,91,809.00	-7.20
2022-23	7828.50	2,68,708.10	2.91

Interpretation: The income to fixed assets ratio decreasing to -7.2 in 2021-22 (Which is a COVID year), again increasing to 2.91 in 2022-23. The average ratio is 3.12. The highest ratio is recorded at 2.91 in 2022-23. The lowest ratio was -7.2 in 2021-22.

Hypothesis

H0:There is no relation between Fixed assets Turnover and Return on Assets.

H1:There is relation between Fixed assets Turnover and Return on Assets.

Observations –

1. There is an increase in fixed assets year by year
2. The ratio of long term fund to fixed assets is decreasing.

3. It is observed that ratio of fixed assets to current liabilities, it has decreased year by year, except for which increased 2021-22.
4. The capital turnover to be not very satisfactory, decreasing every year.
5. We can see that the ratio of fixed assets to total assets decreased from 55.34% to 24.43%.
6. It’s been observed that the ratio of profit to fixed assets is decreasing year by year and again increased from 2021-22 i.e. 7828.50 the return on fixed assets is quite satisfactory.
7. Overall it is observed that varroc’s financial state was not good in last two years, but it’s been improving since last year.

Findings In terms of fixed assets to net worth, a slight drop to 1.33 was noted.

1. Regarding fixed assets, there is an increase in fixed assets.
2. Long-term funds to fixed assets are decreasing year by year.
3. Regarding the ratio of fixed assets to current liabilities, we can see that it has decreased year by year, except for, which increased from 2021 to 2022.
4. We found the capital turnover to be not very satisfactory, decreasing from 273.70 to 213.49.
5. The ratio of fixed assets to total assets decreased from 55.34% to 24.43%.
6. We can see that the ratio of profit to fixed assets is decreasing year by year from 45077.70 to -49820.30 and again increased from 2021-22 i.e. 7828.50 The return on fixed assets is quite satisfactory.
7. From the above investigation, Varrocs's financial situation in terms of fixed assets is not very satisfactory in previous two years but satisfactory in last year.

Suggestions -Suggestion for managing fixed assets efficiently:

1. Company must follow both NPV (Net Present Value) and IRR (Internal Rate of Return) laws, not just NPV laws
2. A list of projects must be analysed and measured for evaluation.
3. Poor return on investment. Finance department (manager) should take corrective action to improve position.
4. Profit after Tax rate should be improved.
5. Capital budgeting policy needs to be achieved in the next few years.

IV.CONCLUSION

1. Fixed asset management is crucial for companies to maximize the value of their long-term investments in property, plant, and equipment (PP&E).
2. Effective fixed asset management can help companies

reduce costs, improve operational efficiency, and increase profitability.

3. Accurate tracking and maintenance of fixed assets is essential to ensure they remain in good working condition, are fully utilized, and are not lost or stolen.
4. Regular physical asset audits and financial reporting are important to ensure that assets are properly accounted for and their values are accurately reflected on the balance sheet.
5. Companies should consider implementing fixed asset management software or systems to automate and streamline processes, reduce errors, and improve accuracy.
6. Depreciation is an important concept in fixed asset management and refers to the gradual decline in the value of assets over time due to wear and tear, obsolescence, or other factors.
7. Fixed asset disposal is another important aspect of asset management, and companies should have processes in place to dispose of assets that are no longer needed or have become obsolete.
8. Properly managing fixed assets can also help companies comply with regulatory requirements, such as those related to environmental health and safety.
9. Overall, effective fixed asset management requires careful planning, on-going monitoring, and continuous improvement to optimize the value and performance of a company's long-term investments.