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A STUDY ON FINANCIAL MANAGEMENT PRACTICES IN EMERGING MARKETS: CHALLENGES AND OPPORTUNITIES WITH REFERENCE TO KESORAM

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ABSTRACT
Any organisation, individual, or other entity's monetary dealings are formally documented in a financial management report. A financial statement is more often known as an account in British English, which is used in United Kingdom business law. However, accountants and other professionals in the accounting field also use the phrase financial statement.

A company's financial management consists of all the pertinent financial data provided in an organised and easily digestible way. The four cornerstones of sound financial management are usually:

When it comes to big companies, these management are often intricate and may include a mountain of notes on financial management and management analysis and debate. Financial statements (balance sheet, income statement, and cash flow statement) may include notes that provide a more in-depth description of each item. The financial management would not be complete without the notes to that management.

Goals of company financial management

"The objective of financial management is to provide information about the financial position, performance and changes in financial position of an enterprise that is useful to a wide range of users in making economic decisions." Management of funds must to be comparable, comprehensible, relevant, and dependable. A company's financial health is intimately connected to its reported assets, liabilities, and equity. Organisational financial performance is inversely proportional to reported revenue and expenditures.

To fully grasp financial management, one must possess "a reasonable knowledge of business and economic activities and accounting and who are willing to study the information diligently." Users may put financial management to many uses.

I. INTRODUCTION ABOUT FINANCE

Meaning of Financial Management

Financial Management means planning, organizing, directing and controlling the financial activities such as procurement and utilization of funds of the enterprise. It means applying general management principles to financial resources of the enterprise.

Financial management has a wide scope.

Anticipation: Financial management estimates the financial needs of the company. That is, it finds out how much finance is required by the company.

Acquisition: It collects finance for the company from different sources.

Allocation: It uses this collected finance to purchase fixed and current assets for the company.

Appropriation: It divides the company's profits among the shareholders, debenture holders, etc. It keeps a part of the profits as reserves.

Assessment: It also controls all the financial activities of the company. Financial management is the most important functional area of management. All other functional areas such as production management, marketing management, personnel management, etc. depends on Financial management. Efficient financial management is required for survival, growth and success of the company or firm.

Scope/Elements

1. Investment decisions includes investment in fixed assets (called as capital budgeting). Investment in current assets are also a part of investment decisions called as working capital decisions.
2. Financial decisions - They relate to the raising of finance from various resources which will depend upon decision on type of source, period of financing, cost of financing and the returns thereby.

Dividend decision - The finance manager has to take decision with regards to the net profit distribution. Net profits are generally divided into two:

   a. Dividend for shareholders- Dividend and the rate of it has to be decided.
   b. Retained profits- Amount of retained profits has to be finalized which will depend upon expansion and diversification plans of the enterprise.

Functions of Financial Management

1. **Estimation of capital requirements:** A finance manager has to make estimation with regards to capital requirements of the company. This will depend upon expected costs and profits and future programmers and policies of a concern. Estimations have to be made in an adequate manner which increases earning capacity of enterprise.
2. **Determination of capital composition:** Once the estimation have been made, the capital structure have to be decided. This involves short- term and long- term debt equity analysis. This will depend upon the proportion of equity capital a company is possessing and additional funds which have to be raised from outside parties.
3. **Choice of sources of funds:** For additional funds to be procured, a company has many choices like-
   a. Issue of shares and debentures
   b. Loans to be taken from banks and financial institutions
   c. Public deposits to be drawn like in form of bonds.

   Choice of factor will depend on relative merits and demerits of each source and period of financing.

4. **Investment of funds:** The finance manager has to decide to allocate funds into profitable ventures so that there is safety on investment and regular returns is possible.
5. **Disposal of surplus:** The net profits decision have to be made by the finance manager. This can be done in two ways:
    a. Dividend declaration - It includes identifying the rate of dividends and other benefits like bonus.
    b. Retained profits - The volume has to be decided which will depend upon expansion, innovational, diversification plans of the company.
6. **Management of cash:** Finance manager has to make decisions with regards to cash management. Cash is required for many purposes like payment of wages and salaries, payment of electricity and water bills, payment to creditors, meeting current liabilities, maintenance of enough stock, purchase of raw materials, etc.
7. **Financial controls:** The finance manager has not only to plan, procure and utilize the funds but he also has to exercise control over finances. This can be done through many techniques like ratio analysis, financial forecasting, cost and profit control, etc.

NEED FOR STUDY

Need of financial management study to diagnose the information contain in financial statement. So as to judge the profitability and financial position of the firm.Financial analyst analyses the financial statements with various tools of analysis before commanding upon the financial health of the firm. Financial management is more than keeping accounting records. It is an essential part of organizational management and cannot be seen as a separate task to be left to finance staff or the honorary treasurer. Financial management involves planning, organizing, controlling and monitoring financial resources in order to achieve organizational objectives.

You can only achieve effective financial management if you have a sound organizational plan. A plan in this context means having set objectives and having agreed, developed and evaluated the policies, strategies, tactics and actions to achieve these objectives.

Sound financial management will involve you in long-term strategic planning and short-term operations planning. This financial planning should become part of your organization's ongoing planning process.

Developing a financial management system is the creation of financial statements. To manage proactively, you should plan to generate financial statements on a monthly basis. Your financial statements should include an income statement, a balance sheet and a cash flow statement.

Financial management works under two theories. One theory reins bad sources of fund. This theory elucidates us that we should think cost, risk and control and these should be minimum when we get money from others. Only financial management makes good financial structure to minimize cost, risk and control of borrowed money. Second theory elucidates or clarifies us that we should think about time, risk and return before investing our money. Our ROI should be more than our cost of capital. Our risk of investment should be least. We should get our money with high return within very short-period.

Objectives of Financial Management

The financial management is generally concerned with procurement, allocation and control of financial resources of a concern. The objectives can be-

1. To ensure regular and adequate supply of funds to the concern in **KESORAM CEMENTS LIMITED**.
2. To ensure adequate returns to the shareholders this will depend upon the earning capacity, market price of the share, expectations of the shareholders in KESORAM.

3. To ensure optimum funds utilization. Once the funds are procured, they should be utilized in maximum possible way at least cost.
4. To ensure safety on investment, i.e, funds should be invested in safe ventures so that adequate rate of return can be achieved.
5. To plan a sound capital structure-There should be sound and fair composition of capital so that a balance is maintained between debt and equity capital.
6. Interpret financial reports Including income statements, Profits and Loss or P&L, cash flow statements and balance sheet statements.
7. Improve the allocation of working capital within business operations.
8. Review and fine tune financial budgeting, and revenue and cost forecasting.
9. Look at the funding options for business expansion, including both long and short term financing.

10. Review the financial health of the company or business unit using ratio analyses, such as the gearing ratio, profit per employee and weighted cost of capital.
11. Understand the various techniques using in project and asset valuations.
12. Apply critical financial decision making techniques to assess whether to proceed with an investment.
13. Understand valuations frameworks for businesses, portfolios and intangible assets.

II. RESEARCH METHODOLOGY

RESEARCH DESIGN

This is a systematic way to solve the research problem and it is important component for the study without which researches may not be able to obtain the format. A research design is the arrangement of conditions for collection and analysis of data in a manager that aims to combine for collection and analysis of data relevance to the research purpose with economy in procedure.

MEANING OF RESEARCH DESIGN

The formidable problem that follows the task of defining the research problem is the preparation of design of the research project, popularly known as the research design, decision regarding what, where, when, how much, by what means concerning an inquiry of a research study constitute a research design. A research design is the arrangement of conditions for collection and analysis of data in a manager that aims to combine for collection and analysis of data relevance to the research purpose with economy in procedure.

SOURCES OF DATA

Data we collected based on two sources.

- Primary data.
- Secondary data.

Primary data

The Primary data are those information's, which are collected afresh and for the first time, and thus happen to be original in character.

Secondary Data:

The Secondary data are those which have already been collected by some other agency and which have already been processed. The sources of Secondary data are Annual Reports, browsing Internet, through magazines.

1. It includes data gathered from the annual reports of **KESORAM CEMENTS LIMITED**.
2. Articles are collected from official website of **KESORAM CEMENTS LIMITED**.

METHODOLOGY USED:

1. **TYPES OF FINANCIAL STATEMENTS ADOPTED:**

   Following two types of financial statements are adopted in analyzing the firm financial position

   a. **Balance Sheet**.
   b. Profit and Loss statements.

2. **TOOLS OF FINANCIAL STATEMENT ANALYSIS USED**

   The following financial analysis tools are used in order to interpret the financial position of the firm.

LIMITATIONS OF FINANCIAL STATEMENT:

1. ONLY INTERIM REPORTS:

Only interim statements don't give a final picture of the concern. The data given in these statements is only approximate. The actual position can only be determined when the business is sold or liquidated.

2. DON'T GIVE EXTRA POSITION:

The financial statements are expressed in monetary values, so they appear to give final and accurate position. The values of fixed assets in the balance sheet neither represent the value for which fixed assets can be sold nor the amount which will be required to replace these assets.

3. HISTORICAL COSTS:

The financial statements are prepared on the basis of historical costs or original costs. The value of assets decreases with the passage of time current price changes are not taken into account. The statements are not prepared keeping in view the present economic conditions. The balance sheet loses the significance of being an index of current economic realities.

4. ACT OF NON MONITORY FACTORS IGNORED:

There are certain factors which have a bearing on the financial position and operating results of the business but they don't become a part of these statements because they can't be measured in monetary terms. Such factors may include in the reputation of the management.

NO PRECISION:

The precision of financial statement data is not possible because the statements deal with matters which can't be precisely stated. The data are recorded by conventional procedures followed over the years. Various conventions, postulates, personal judgments etc.

III. FINDNGS

1. I found that every year the sales are increases in increased manner. It shows good sign for the organization. It fluctuates only one year due to competition and heavy expenditure in fixed assets.
2. The gross profit was decreased every year. This was happened due to increasing of cost of goods sold every year
3. In the year 2018, they spend more money towards raw material sealing and distribution transportation and administration expenses and debtors also increased. The shows results in reduction of operating profit in 2018.

4. On overall ever year cash & bank balance were increased fixed deposits receipts are decreased inventories on average are in good position.
5. In the year 2018 they minimized the exp .of stores maintenance. But other expensed like packing materials and transportation charges increased rapidly.

SUGGESTIONS

- The company should provide notes to explain items not tallying with the profit and loss and balance sheet in the Annual report.

- Instead of disclosing the combined flows of debtors and loans advances as decrease/(increase) in trade and other receivables, their separate disclosure will be more meaningful.
- Globalization of economies and the requirement of shares from investors in capital market, diverse and demanding audience to the company, need a clear and in-depth in information about the company's financial position in Annual report.
- Comparison of basic and diluted EPS to be included in Annual report to predict the EPS sustainable in future.

IV. CONCLUSION

With a prudent combination of debt and equity, Kesoram's financial situation is relatively comfortable. Investments, loans, and advances were used efficiently according to the overall evaluation of the financial statements. Based on the rise in reserves and surplus, it seems that the firm is rather profitable.
The opinions stated in the audit report via the financial statements and the management discussions and analysis in the director's report are accurate and fair views in compliance with the requirements of the companies Acts and accounting standards.

It would seem that the company's financial situation is completely adequate.

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