A STUDY ON FIXED ASSETS MANAGEMENT IN LG ELECTRONICS

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Abstract: Every company owns a fixed asset that is used in its business operations. To maintain a complete, accurate, and up-to-date fixed asset can be a challenge if tracking the asset without an automated process. PT. Invest Systems, an IT based Automation Company owns fixed assets such as furniture, vehicles, office equipment, etc. which the data are stored in an excel spreadsheet. The increasing number of fixed assets lays difficulties for the staff to be able to accurately track and manage the assets. This paper intends to develop a fixed asset management system to computerize the manual form of PT. Invest Systems fixed assets. “Avoca Systems” will help the company manage their assets, maintain a more detailed asset records, automate depreciation, as well as maintain the conditions of the assets through daily maintenance. Furthermore, this system can help notify the staff members to manage the assets that they are responsible for through Telegram Bot via Telegram Messenger as an interface and determine the performance capabilities of it.

INTRODUCTION

The study invents valuation of fixed assets in LG ELECTRONICS. Valuation of fixed assets is important in order to have fair measure of profit or loss and financial position of the concern.

The Fixed Assets Management is the Traditional Financial Statement of a business enterprise. While they do furnish useful financial data regarding its operations, a serious limitation of these statements is that they do not provide information regarding changes in the firm’s financial position during a particular period of time.

Fixed assets are acquired for use in the business for earning revenues so they are shown at their book values and at their current realizable values. But when the business unit is not a going concern and is to be liquidated, current realizable value of fixed assets become relevant. A fundamental concept of accounting, closely related to the going concern concept, is cost concept of accounting. According to this concept, a fixed asset is recorded in the books at the price paid to acquire it and that this cost is the basis for all subsequent accounting for the asset. This concept does not mean that the fixed asset will always be shown at cost but it means that cost becomes basis for all future Accounting for the fixed asset. Asset is recorded at cost at the time of its purchase but is systematically reduced in its value by charging depreciation. The market value of a fixed asset may change with the passage of time, but for accounting purpose it continues to be shown in the books at its book value, i.e., the cost at which it was purchased minus depreciation provided up-to-date.

OBJECTIVES OF THE STUDY:

- The study is made to known the amount of capital expenditure made by the company during study period.
- The study is conducted to evaluate depreciation and method of depreciation adopted by LG.
- Profit maximization is not considered as basic idea for making investment and financing decision through Fixed Asset Management.
- To study and evaluate the giving adequate returns how of the company.
- To study is evaluate how adequate the returns to the company
- Study is conducted to evaluate that if fixed assets are liquidated. What is the proportion of fixed assets amount will contribute for payment of owner fund and long term liabilities.

NEED FOR STUDY:

Fixed Assets play very important role in realign company’s objectives the firms to which capital investment vested on fixed assets. Theses fixed assets are not convertible or not liquid able over a period of time the total owner finds and long term liabilities are invested in fixed assets. Since fixed assets playing dominant role in total business the firms has realized the effective utilization of fixed assets. So ration contributes very much in analyzing and utilized properly it effects long term sustainability of the firms in analyzing and utilized properly it affect long term sustainability of the firms which may effect liquidity and solvency and profitability positions of the company.

METHODOLOGY OF THE STUDY

After going through different methods of data collection, it was decided that both primary and secondary data are suitable for this survey.

Primary Data:

- The primary data was collected mainly with interactions and discussions with the company’s executives.
Secondary Data:

- The data gathering method is adopted purely from secondary sources.
- The theoretical content is gathered from eminent textbook reference and library at LG ELECTRONICS.
- The financial data and information is gathered from annual reports of the company internal records.
- Interpretation, Conclusions and suggestions are purely base on my opinion and suggestions provided by the project guide.

LIMITATIONS OF THE STUDY:

- The study period of 45 days as prescribed by Osmania University.
- The study is limited up to the date and information provided by LG ELECTRONICS INDIA LTD and its reports.
- The reports will not provide exact fixed Assets status and position in LG ELECTRONICS. it may varying form time to time and situation to situation.
- This report is not helpful in investing in LG ELECTRONICS. Either through disinvestments or capital market.
- The accounting procedure and other accounting principles are limited by the company changes in them may vary the fixed assets performance.

SCOPE OF STUDY

The project is covered of fixed Assets of LG ELECTRONICS. drawn form annual report of the company. The fixed assets considered in the project is which can not be converted into cash with one year. Ratio analysis is used for evaluating fixed assets performance of LG ELECTRONICS.

LITERATURE OF REVIEW

Prof. Marshall mentioned about the activities of money changers in the temple of Olympia and other sacred places in Greece, around 2000 B.C. He wrote “Private Money Metallic Currencies, More or less exactly, to a Common Unit of value, and even to accept money on deposit at interest, and to lend it out at higher interest permitting meanwhile drafts to be drawn on them”.

Sayers R.S.2 3Steles: we can define bank as an institution whose debts (bank deposits) are widely accepted in settlement of other people’s debts to each other.

S.B. Gupta A bank is an institution that accepts deposits of money from the public withdrawals by cheque and used for lending. Thus, there are two essential functions which make a financial institution a bank: The literature review included asset management concepts, current asset management practices and philosophies of other state departments of transportation (DOTs) and the FHWA, and research efforts focused on right-of-way acquisition. The purpose of this review was to ensure that TxDOT and the research team will benefit from state-of-the-art concepts and practices for asset management. ASSET MANAGEMENT CONCEPTS 1 Asset management is an emerging effort to integrate finance, planning, engineering, personnel, and information management to assist agencies in managing assets cost-effectively (AASHTO 1997). In its broadest sense, asset management is defined as “a systematic process of maintaining, upgrading, and operating assets, combining engineering principles with sound business practice and economic rationale, and providing tools to facilitate a more organized and flexible approach to making the decisions necessary to achieve the public’s expectations” (OECD 2001). The main objective of asset management is to improve decision-making processes for allocating funds among an agency’s assets so that the best return on investment is obtained. To achieve this objective, asset management embraces all of the processes, tools, and data required to manage assets effectively (Nemmers 2004).

For this reason asset management is also defined as “a process of resource allocation and utilization” (AASHTO 2002). The framework needed to carry out this process effectively encompasses an agency’s policy goals and objectives, performance measurements, planning and programming, program delivery, and system monitoring and performance results.
DATA ANALYSIS AND INTERPRETATION:
LG Electronics Inc. and Subsidiaries
Financial Highlights:

<table>
<thead>
<tr>
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<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales</td>
<td>134543.28</td>
<td>140116.22</td>
<td>135375.24</td>
<td>129553.62</td>
<td>142195.78</td>
</tr>
<tr>
<td>Operating Profit</td>
<td>3547.2</td>
<td>3887</td>
<td>3661.3</td>
<td>2296</td>
<td>2492.8</td>
</tr>
<tr>
<td>Net Profit</td>
<td>4644.97</td>
<td>4137.14</td>
<td>2814.67</td>
<td>6299.57</td>
<td>3351.28</td>
</tr>
<tr>
<td>Total Assets</td>
<td>179137.63</td>
<td>163641.62</td>
<td>164867.41</td>
<td>167745.96</td>
<td>317929.03</td>
</tr>
<tr>
<td>Total Liabilities</td>
<td>2,05,36.47</td>
<td>2,03,50.59</td>
<td>2,40,99.51</td>
<td>2,14,80.89</td>
<td>2,30,72.27</td>
</tr>
<tr>
<td>Total Shareholder's Equity</td>
<td>18456.8</td>
<td>20543.5</td>
<td>24673.8</td>
<td>26354.8</td>
<td>31824.2</td>
</tr>
<tr>
<td>ROE</td>
<td>10.5%</td>
<td>8.7%</td>
<td>12.6%</td>
<td>3.5%</td>
<td>19.1%</td>
</tr>
<tr>
<td>EBITDA</td>
<td>1,476</td>
<td>1,585</td>
<td>1,685</td>
<td>1,297</td>
<td>1,349</td>
</tr>
<tr>
<td>Capex</td>
<td>1,075</td>
<td>1,179</td>
<td>1,291</td>
<td>860</td>
<td>1,060</td>
</tr>
</tbody>
</table>

BAR DIAGRAMS & CHARTS:

<table>
<thead>
<tr>
<th>YEAR</th>
<th>INVESTMENT</th>
<th>TREND PERCENTAGE</th>
</tr>
</thead>
<tbody>
<tr>
<td>2008-2009</td>
<td>41,28,06,232</td>
<td>100</td>
</tr>
<tr>
<td>2009-2010</td>
<td>44,85,21,386</td>
<td>108.65</td>
</tr>
<tr>
<td>2010-2011</td>
<td>39,68,35,265</td>
<td>96.13</td>
</tr>
<tr>
<td>2011-2012</td>
<td>24,99,02,930</td>
<td>60.54</td>
</tr>
<tr>
<td>2012-2013</td>
<td>28,19,24,444</td>
<td>68.29</td>
</tr>
</tbody>
</table>

CHART:

INTERPRETATION:

From the analysis of the above table it can be observed that the growth rate of total investment of LG ELECTRONICS industries is in downward trend which show table LG ELECTRONICS Industries investment in total investment is decreasing form time to the during the year 2008-2009 it was recorded 100%. But it is decreasing in the year 2012-2013 which shows that there is a net decrease by 68.29%. The average investment in total assets was found to be Rs.35, 79, 98,051.4 during the review period. During the period of 2008-2009 it is Rs. 41, 28, 06,232 and it was decrease in the year 2012-2013 Rs. 28, 19, 24,444.
GROWTH RATE IN FIXED ASSETS:

<table>
<thead>
<tr>
<th>YEAR</th>
<th>FIXED ASSETS</th>
<th>PERCENTAGE</th>
</tr>
</thead>
<tbody>
<tr>
<td>2008-2009</td>
<td>6,07,94,08,271</td>
<td>100</td>
</tr>
<tr>
<td>2009-2010</td>
<td>6,25,64,02,873</td>
<td>102.91</td>
</tr>
<tr>
<td>2010-2011</td>
<td>5,89,55,39,377</td>
<td>96.97</td>
</tr>
<tr>
<td>2011-2012</td>
<td>5,69,39,08,565</td>
<td>93.74</td>
</tr>
<tr>
<td>2012-2013</td>
<td>5,71,48,06,436</td>
<td>94.00</td>
</tr>
</tbody>
</table>

Chart:

INTERPRETATION:
Growth rate in fixed assets, the examination of the above table reveals analysis and interpretation.
1. During the year 2008-2009 the assets investment was recorded at 6,07,94,08,271 and it is decreased to Rs 5,71,48,37,436 in 2012-2013 the fixed assets investment is quite satisfactory.
2. The trend percentage in the year 2008-2009 is taken as the base year as 100% and it was decreased to 94.00% in the year 2012-2013.
3. The average growth rate in Fixed assets Rs.5,92,90,306 in 5 years.

FINDINGS
- Company should concentrate on long term assets are utilized for working capital problem will not arise in future.
- Company should concentrate on inventory it can improves the inventory turn over ratio
- Growth rate of investment trend percentage, growth rate in fixed assets
- Growth rate in fixed assets during the years 2009-10 increased to 6,25,64,02,873.
- Fixed asset to net worth is good position in LG Electronics.
- Fixed assets to long term liability highest ratio is regarded 184.6% in the 2008-09 lowest ratio is 152.7% in 2011-12.
- Total investment turn over ratio was highest regarded 51.84% in the year 2011-12 Which is more than average ratio
- Fixed assets turn over ratio was increased the every year, Highest ratio was regarded at 2.40% in 2012-1
- Return on grass capital employee highest ratio was regarded 5.7% in the year 2011-12.

SUGGESTIONS
- Regarding the fixed assets to total assets it been observed that there was decreased form 31.5% to 46 % as a results it is said to be that the ratio is quite satisfactory.
- Regarding the profit and gross capital employed ratio it can be observed that it as been increasing over the year form 113857.82 to 120211.89. As a result of the above it can be said that the ratio is steadily increasing.
- From the above study it can be said that the LG ELECTRONICS industries financial position on fixed assets is quite satisfactory.
- Company should maintain adequate ratios
- It should try to utilize the fixed assets to maintain maximum profit.

CONCLUSION
Regarding the profit and gross capital employed ratio it can be observed that it has been increasing over the year i.e., from 113857.82 to 020211.89. As a result of the above it can be said that the ratio is steadily increasing.
From the above study it can be said that the LG ELECTRONICS Financial position on Fixed Assets in quite satisfactory.
The company should focus on the current where the fixed assets to the total assets have decreased from 31.50% to 46% in order to meet current obligations of the business.

The Company should focus on the current where the fixed assets to the total assets have decreased from 31.50% to 46% in order to meet current obligations of the business.

REFERENCES:

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