A STUDY ON ACCOUNTS RECEIVABLE MANAGEMENT OF TATA MOTORS

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Abstract:
Accounts receivable represent the amount due form customers (book debts) or debtors as a result of selling goods on credit. "The term debtors is defined as 'debt' owned to the firm by customers arising from sale of goods or services in the ordinary course of business." The three characteristics of receivables the element of risk, economic value and futurity explain the basis and the need for efficient management of receivables. The element of risk should be carefully analyzed. Cash sales are totally riskless but not the credit sales, as the same has yet to be received. To the buyer the economic value in goods and services process immediately at the time of sale, while the seller expect an equivalent value to be received later on. The cash payment for goods and services received by the buyer will be made by him in a future period. The customer from whom receivables or book debts have to be collected in future are called Trade debtor and represent the firm's claim on assets.

KEY WORDS: Account Receivable Management, debtors, cash sales, and trade debtors.

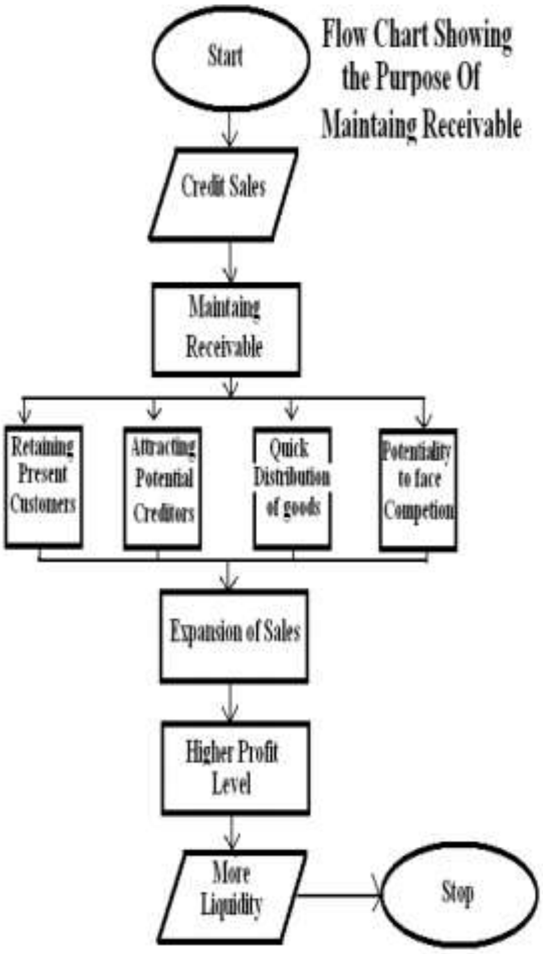
INTRODUCTION

The offer of credit is an evitable need in the business universe of today. No business can exist without promoting the units in credit. The fundamental difference between credit deals and money deals is the time hole in the receipt of money. Receivable administration of exchange acknowledges is normally known as Management of Receivables. Receivables are one of the three essential segments of working capital, the other being stock and money, the other being stock and money. Receivables involve second significant spot after inventories and consequently establish a sizeable bit of current resources in a few firms.

The capital put resources into receivables is near to a similar sum as that put resources into money and stock. Receivables in this manner, a structure around 33% of current resources in India. Exchange credit is a significant market device. As it acts as a bridge for activation of produce from gathering to conveyance arranges in the field of promoting. Receivables make an accessible safe house to deals from rivalries. It acts no exactly a magnet in pulling in planned shoppers to purchase the item at terms and conditions ideal for them just as to the firm. Receivables the executives requests due thought, not money related administration not just because cost and hazard are related to this venture yet additionally for the explanation that every rupee can add to the company's total assets.

The client who speaks to the association's case or resources, from whom receivables or book-obligations are to be gathered in the blink of an eye, is known as indebted individuals or exchange borrowers. A receivable in the opening appears at the very occasion when the deal is influenced. Receivables might be spoken to by acknowledgement; bills or notes and so forth due from others at an assignable date in the proper method of the business. As the offer of merchandise is an arrangement, receivables also get unnatural by the law of agreement for example Both the gatherings (purchaser and merchant) must have the competency to contract appropriate thought and normal consent must be available to pass the title of products or more all bargain of offer to be enforceable must be recorded as a hard copy. Receivables, as are types of interest in any Endeavour assembling and selling products on layaway beginning stage, massive wholes of assets are tied up in exchange for indebted individuals. Subsequently, a lot of careful examination and legitimate administration is practiced for a successful and clever official of Receivables to guarantee a positive commitment towards an expansion in return and benefits.

At the point when supplies and administrations are sold under a simultaneousness allowing the client to pay for them sometime in the not too distant future, the sum due from the client is recorded as records receivables; in this way, receivables are effects accounts speaking to sums owed to the inflexible as an answer of the recognition offer of merchandise and enterprises in the common course of advancement. The estimation of these cases is carried on to the advantages side of the parity span under titles, for example, financial records receivable, ability receivables or customer receivables. This colloquialism can be liquid as "obligation dispensed to the firm by clients emerges from the offer of merchandise or administrations in the common course of creation."



NEED FOR THE STUDY

Require for the study is total is another component within bank account receivable management. Confirmed ratios, such as turnover will measure how several times you were able to exchange receivables over into hard cash. Size may need to be adapted to account for wide fluctuations inside the sales cycle. They relate of weights can hinder ensure analogous scale.

OBJECTIVES OF THE STUDY

1. To scan the receivables organization practices follow by the band
2. Identify the ratios to analyze a company's receivables.
3. To determine the relationship of receivables with sales
4. To locate out the force of receivables on the operational capital of the business
5. To offer suggestion to develop the receivables position.

HYPOTHESIS

H_0: in attendance is no import variation among sales and receivables.

H_1: there a significance distinction between sales and receivables.

H_0: there is no significance diversity between working capital and receivables.

H_1: there be a worth disparity among running capital and receivables.

RESEARCH METHODOLGY

The data that has been together from various sources and offered in the form of materialistic in order is known as study method. Research methodology is a regular way to solve any research problem. It may be unstated as a skill of studying how study is done exactly.

DATA COLLECTED METHOD

Data set methods are an integral part of research design. Troubles research with the use of correct method greatly enhance the value of the research

Derivative data can be used, amongst other things, for forecasting sales by taking into thought models based on past sales facts, and through extrapolation.

There are a number of sources of secondary data, including information from the internet, company offered documents, invoices, different books. The advantage of seeking derivative data sources is savings time and costs of acquiring information. Hence it is imperative to refer to sources that offer modern and up-to-date in order.

For this study, the data is together from the yearly reports of the group from the year 2014-15 to 2018-19. The yearly account can be careful as the most main and faithful basis of economic data.

DATA ANALYSIS AND INTERPRETATIONS

Extent study is the major gadget of budgetary examination and cash related assessment itself is a huge bit of any business masterminding process as SWOT (Strengths, Weaknesses, Opportunities and Threats), being the basic mechanical assembly of the essential assessment accept a significant activity in a business orchestrating process and no SWOT assessment would be done without an examination of association's financial position. At the present time Analysis is a critical bit of whole selling crucial mastermind.

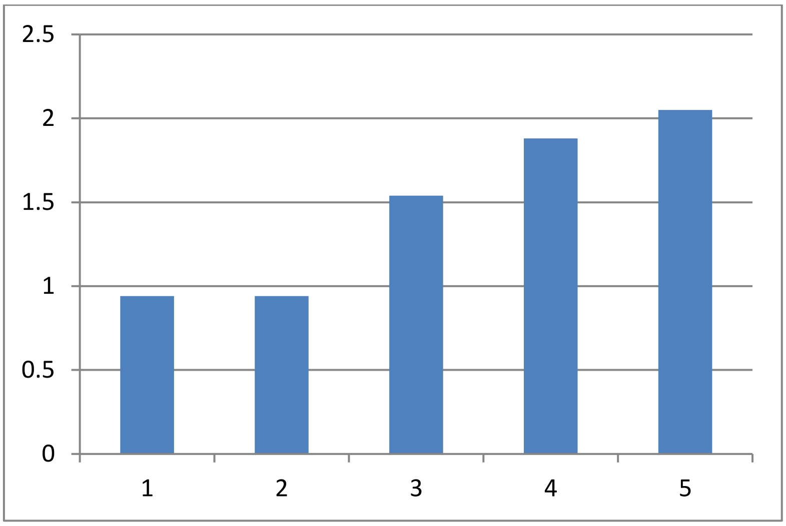
Current ratio:

Current ratio is the ratio of current assets of a business to its present liabilities. It is the most extensively used preliminary of liquidity of a business and measures the limit of a business to repay its commitments over the hour of the following 16 months.

Current Ratio = Current Assets/ Current liabilities

YEAR	CURRENT ASSETS	CURRENT LIABILITIES	CURRENT RATIO
2019	1,31,440	1,39,468	0.94
2018	71,845	76,785	0.94
2017	76,559	49,616	1.54
2016	58,980	31,419	1.88
2015	51,997	25,417	2.05

CHART



INTERPRETATION:

From the above chart current ratio in the year 2015-2.5, 2016-1.88, 2017-1.54, 2018-0.94, 2019-0.94.Therefore from the above chart found that the current ratio has decline year by year. So, current ratio is not satisfied.

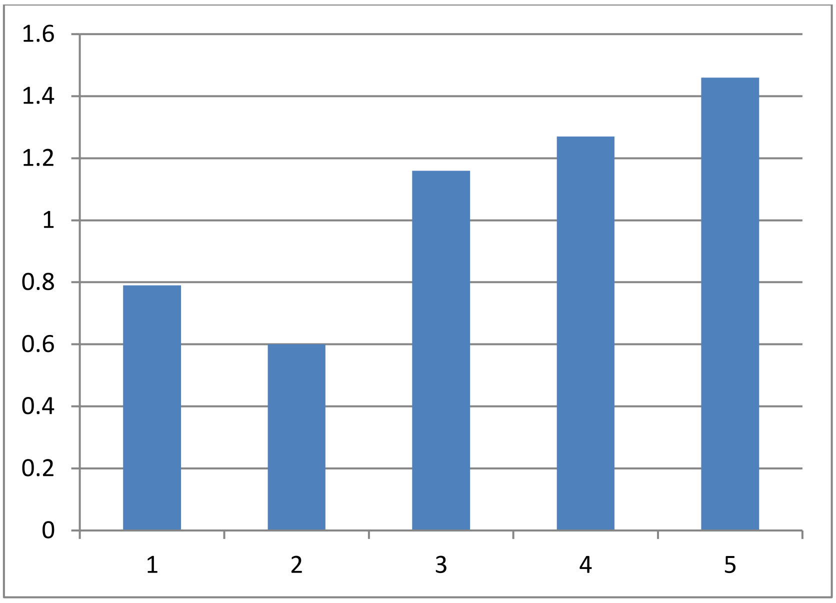
Quick ratio:

Quick ratio or Acid Test ratio is the ratio of the sum of cash and cash equivalent, profitable securities and monetary declaration receivable to the current liability of a business. It events the ability of a business to pay its debts by using its cash and near cash present assets (i.e. accounts receivable and profitable securities).

Quick ratio = Liquid assets/ Current liabilities

YEAR	LIQUID ASSETS	CURRENT LIABILITIES	QUICK RATIO
2019	1,09,896	1,39,468	0.79
2018	46,302	76,785	0.60
2017	57,517	49,616	1.16
2016	39,921	31,419	1.27
2015	37,075	25,417	1.46

CHART



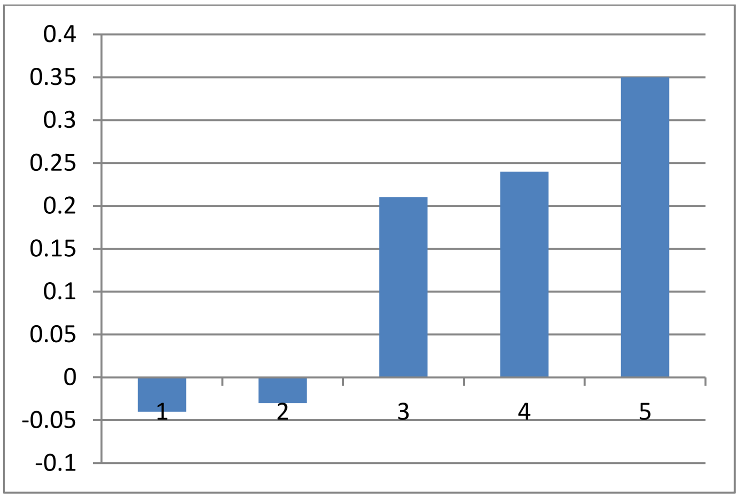
INTERPRETATION:
From the above chart quick ratio in the year 2015-1.46, 2016-1.27, 2017-1.16, 2018-0.60, 2019-0.79. Therefore from the above chart found that the quick ratio is reduce year by year. So, quick ratio is not content.

Net working capital to sale ratio:
Working capital is a agreed on of liquidity of a business. If current assets of a company at the point in time are more than its current liability the operational capital is helpful, and this tells that the company is not likely to suffer from liquidity crunch in near future.

Net working capital to sales ratio = net working capital/ sales

YEAR	NET WORKING CAPITAL	SALES	NET WORKING CAPITAL TO SALES RATIO
2019	-8,028	1,99,249	-0.04
2018	-4,940	1,54,179	-0.03
2017	26,943	1,27,181	0.21
2016	27,561	1,18,732	0.24
2015	26,580	75,557	0.35

CHART



INTERPRETATION:

From the above chart organizing funding to deals quantity in the year 2015-0.35, 2016-0.24, 2017-0.21, 2018- - 0.03, 2019- - 0.04. In this manner in the above examination found that the system managing cash-flow to deals is diminish step by step.

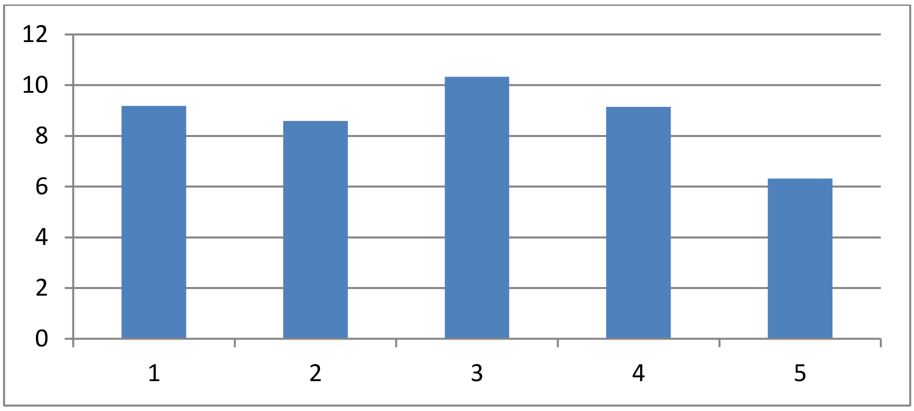
Debtor's turnover ratio:

Debtor's turnover ratio is the part of net credit deals a business to its average debtor’s during a given period, usually a year. It is an activity ratio which estimates the number of times a business collets its average debtor's balance during a period.

Debtor's turnover ratio=net credit sales/average debtors
Average debtors=debtors +bills receivables

YEAR	NET CREDIT SALES	AVERAGE DEBTOR'S	DEBTOR'S TURNOVER RATIO (times)
2019	1,99,249	21,790	9.18
2018	1,54,179	17,955	8.59
2017	1,27,181	16,310	10.33
2016	1,18,732	16,495	9.15
2015	75,557	15,957	6.32

CHART



INTERPRETATION:

From the above chart debtor's turnover ratio in the year 2015-6.32, 2016-9.15, 2017-10.33, 2018-8.59, 2019-9.18. Therefore from the above analysis found that the debtor's turnover ratio has increased and decrease year by year. so, debtor's turnover ratio is not pleased.

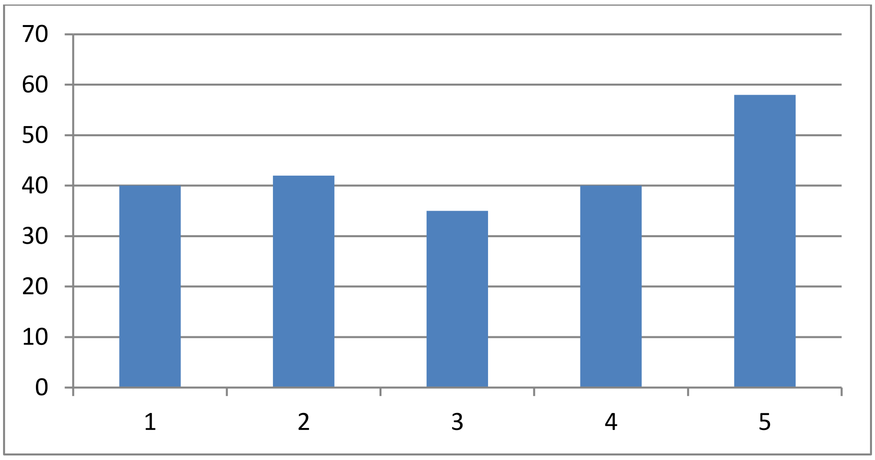
DEBT COLLECTION PERIOD:

It is also called Days' sales outstanding ratio which is used to measure the average number of days a business takes to collect its trade receivables after they have been created. It is an activity ratio and gives in information about the capability of sales collection activities.

Debt Collection Period = no: of working days/debtor's turnover ratio

YEAR	NO. OF WORKING DAYS	DEBTOR'S TURNOVER RATIO	DEBT COLLECTION PERIOD (days)
2019	365	9.18	40
2018	365	8.59	42
2017	365	10.33	35
2016	365	9.15	40
2015	365	6.32	58

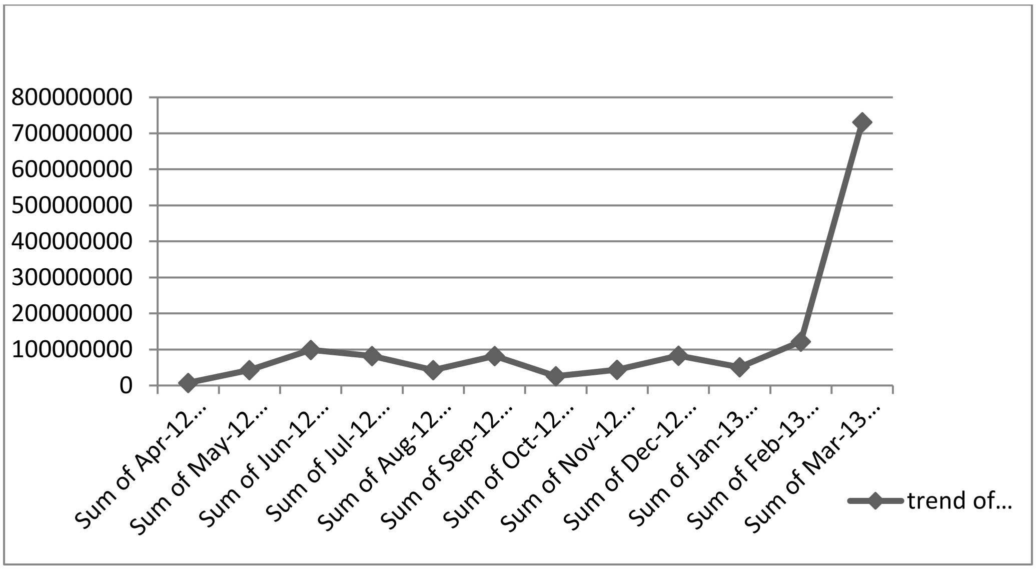
CHART



INTERPRETATION:

From the above chart average collection period in the year 2015-58, 2016-40, 2017-35, 2018-42, 2019-40. Therefore from the above analysis found that the average collection period is diminish year by year. thus, average collection period isn't fulfilled. Since it is productive to change over deals into money rapidly, this implies a lower opinion of Days Sales Outstanding is ideal while a higher worth is ominous. Anyway it is progressively significant to make month to month or week after week pattern of DSO. Any noteworthy increment in the pattern is hard and shows economy in credit deals collection.

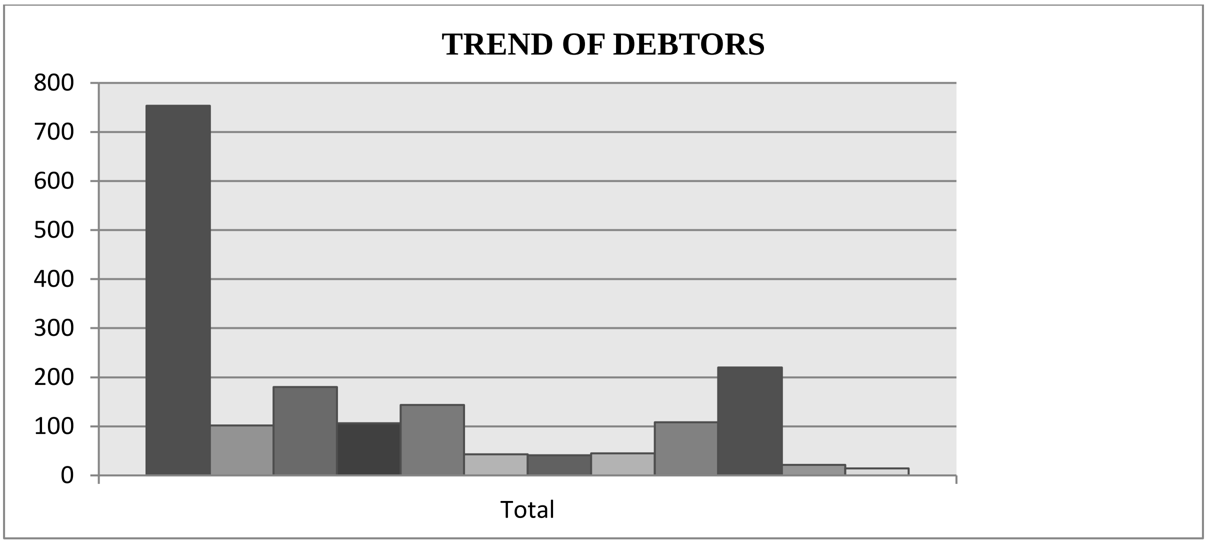
CHART SHOWING TREND OF SALES FOR THE FINANCIAL YEAR 2018-2019



INTERPRETATION:

From the above chart it show that in the month of March-2019the sales is very high and in the start of the year it seems to be lowest and later in the month of October-2018 again there is a fall in sales value.

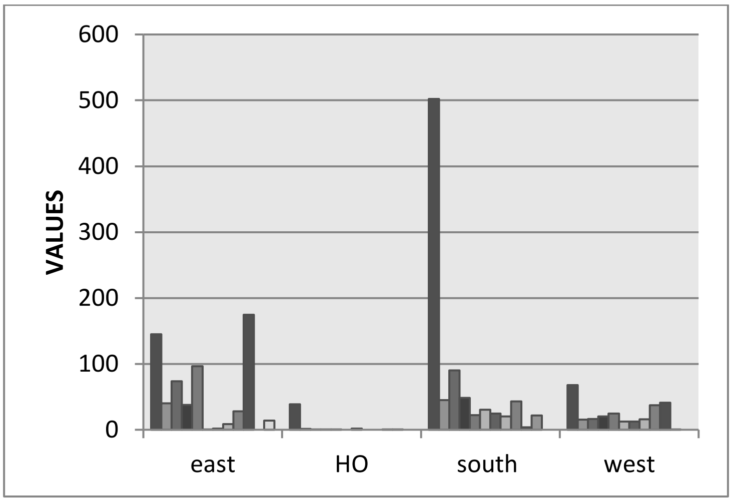
CHART SHOWING THE TREND OF DEBTORS FOR THE FINANCIAL YEAR 2018-2019



INTERPRETATION:

From the above chart indicate that quantity due seems too low in the start of the year and subsequently it has bigger at the end of the year. In middle of the year the debtor value seems to wait constant i.e. in the month of August, September and October.

CHART SHOW MONTHWISE OUTLINE OF DEBTORS



INTERPRETATION:

From the over chart gives a full report of the debtors showing their status in local level where the highest total due is indicated in the south region. And the head office which is in Chennai shows the lowest.

TEST OF HYPOTHESIS

t-Test:

	Variable 1	*Variable 2*
Mean	17720.8	134979.6
Variance	5747193.7	2088755199
Observations	5	5
Pearson Correlation	0.913096841	

Hypothesized Mean	
Difference	0
Df	4
	-
t Stat	6.024109013
P(T<=t) one-tail	0.001912935
t Critical one-tail	2.131846782
P(T<=t) two-tail	0.003825871
t Critical two-tail	2.776445105

Thus, h_o accepted and h_1 rejected.

t-Test:

	Variable 1	*Variable 2*
Mean	17720.8	13623.2
Variance	5747193.7	338231215.7
Observations	5	5
	-	
Pearson Correlation	0.849570041	
Hypothesized Mean		
Difference	0	
Df	4	
t Stat	0.447675402	
P(T<=t) one-tail	0.338781142	
t Critical one-tail	2.131846782	
P(T<=t) two-tail	0.677562283	
t Critical two-tail	2.776445105	

Thus, h_0 rejected and h_1 accepted.

FINDINGS, SUGGESTIONS & CONCLUSIONS

FINDINGS

1. High value of present ratio may indicate survival of idle or underutilized resources in the company.
2. Immediate ratio of less than one indicates that the present assets comprise of too much non-liquid assets.
3. Current assets are less than current liabilities the working capital is negative, and this communicates that the commerce may not be able to pay off its current liabilities when due.

4. In the year 2017 it is observed that there is a high value of accounts receivable turnover which is favorable and lower figure may indicate inefficiency in collecting outstanding sales.

5. Since it is gainful to expand working capital, this means that a lower price of Days Sales Outstanding is favorable but a senior value is adverse. Here in the year 2019 it is low which positive.

SUGGESTIONS

1. Strengthen the management of receivables.
2. State explicit and articulate credit policies.
3. An efficient collection program.
4. Better coordination between production, sales and finance departments.
5. A very high value of accounts receivable turnover ratio may not be favorable, if achieved by extremely strict credit terms since such policies may repel potential buyers.

CONCLUSION

This project focuses on the receivables management which plays a crucial role in the sales, receivables and working capital of the company. The analysis of the project reveals that there is high volatility in extending credit period to customers. The analysis further reveals that there is great scope in increasing the sales volume, in managing better collection. The suggestions offered clearly indicated the efforts to be undertaken in better receivables management and increasing the turnover. If these suggestions are taken note of by company, then define rely the company can very well manage the working capital position with better collection through increased sales.

APPENDIX

Details	**As at March 31, 2019**	**As at March 31, 2018**	**As at March 31, 2017**	**As at March 31, 2016**	**As at March 31, 2015**
A. EQUITY AND liability					
1. Shareholders' funds					
(a) Share Capital	1,758	1,737	1,732	1,727	1,722
(b) funds and Surplus	1,32,930	160,026	1,17,296	1,07,907	95,210
	1,34,688	**161,763**	**1,19,028**	**1,09,634**	**96,932**
2. Non-Current liability					
(a) Long Term Borrowings	75,916	33,327	30,888	57,552	53,853
(b) Deferred Tax Liabilities (Net)	17,380	16,564	16,689	17,875	10,888
	89,296	**45,891**	**43,577**	**71,427**	**64,741**
3. Current liability					
(a) Short Term Borrowings	96,393	45,644	27,921	26,309	18,362
(b) Trade Payables	21,547	16,517	9,515	-	-
(c) Other Current Liabilities	20,497	17,801	15,196	-	-

(d) Short Term Provisions	1,031	827	1,028	5,150	7,051
	1,39,468	**76,785**	**49,616**	**31,419**	**25,417**
TOTAL	**3,63,452**	**2,44,439**	**2,08,221**	**2,16,480**	**1,87,086**
B. ASSETS					
1. Non-Current property					
(a) Fixed Assets					
(i) Tangible Assets	1,22,870	76,494	78,272	81,640	79,519
(ii) vague Assets	107	5	18	-	-
(iii) Capital Work in Progress	6,201	4,917	3,250	3,578	7,009
(b) Non Current Investments	87,150	67,978	42,718	68,282	48,561
(c) Long Term Loans & Advances	19,724	23,200	7,408	-	-
	2,32,016	**172,594**	**171,662**	**1,53,500**	**1,35,085**
2. Current Assets					
(a) Current Investments	-	300	700	-	-
(b) inventory	78,253	25,543	19,046	19,059	18,922
(c) Trade Receivables	21,544	22,036	16,910	15,710	17,474
(d) money and Cash Equivalents	1,692	3,457	4,940	7,403	8,591
(e) Short Term Loans & Advances	23,854	17,543	38,866	20,616	18,942
(f) Other Current Assets	6,097	2,966	97	196	68
	1,31,440	**71,845**	**76,559**	**58,980**	**51,997**
Miscellaneous costs					**4**
TOTAL	**3,63,452**	**244,439**	**2,08,221**	**2,16,480**	**1,87,086**

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