ANALYSIS OF FIXED ASSETS MANAGEMENT AT TOYOTA MOTORS LTD

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Abstract

Fixed Assets are the belongings held with the aim of getting used on non-stop foundation for the purpose of manufacturing or supplying items or services and are not held for resale inside the regular route of enterprise. Valuation of fixed property is essential to have truthful measure of income or loss and financial position of the priority. constant property are meant to be used for decades. The cost of these belongings decreases with their use or with time or many other motives. A portion of fixed property are reduced via usage are converted into cash via charging depreciation. for correct dimension of profits, proper measurement of depreciation is important, as depreciation constitutes a part of overall cost of manufacturing. The research provides the importance and analysis of Fixed Assets Management at TOYOTA MOTORS LTD.

Keywords*:Fixed Assets, financial position, depriciation, Management*

INTRODUCTION

Economic transactions are recorded in the books, preserving in view the going problem aspect of the enterprise unit. In going concern thing it is assumed that the enterprise unit has affordable expectation of continuing the enterprise for a earnings for an indefinite period of time. This assumption presents an awful lot of the justification for recording fixed assets at unique cost and depreciating them in a systematic way without reference to their cutting-edge realizable value. It is useless to file the constant assets in the balance sheet at their predicted realizable values if there is no instantaneous expectation of promoting them. So, they're shown at their e book value (i.e., value –Depreciation) and not at modern-day realizable price. The marketplace cost of the constant belongings might also exchange with the passage of time, however for accounting motive it continues to be shown within the books in historical cost. The cost concept of accounting states that depreciation calculated on the idea of historic price of old assets is usually decrease than the amount calculated at modern fee/ replacement value. these effects in extra income, which if allotted in complete will cause reduction in capital.

ACCOUNTING STANDARD FOR FIXED ASSETS (AS-10):

AS-10 on Accounting for Fixed Assets has been made mandatory with effect from 01.04.1991. According to the AS-10, "**Fixed Asset** is an asset held with the intention of being used on continuous basis for the purpose of producing or providing goods or services and is not held for resale in the normal course of action". *Gross book value* of fixed asset is its historical cost or other amount substituted for historical costs in the books of accounts or financial statements. When the amount of depreciation is deducted from gross book value then it is *Net Book Value*. **Cost of Fixed Assets** should consist of purchase price including import duties etc., and attributable cost of bringing the asset to its working condition for its intended use. Financing costs relating to borrowed funds attributable to construction or acquisition of fixed assets for the period up to the acquisition or completion. Expenditure incurred in start-up and commissioning of the project including test runs. **Revaluation of assets**: Fixed assets may be restated in the value with the help of appraisal under taken by the competent value's .Such valuation of assets is called revaluation.

FIXED ASSETS MANAGEMENT CYCLE

The fixed assets management cycle is the cycle of activities from the acquisition of the asset to the final disposition of the assets at the end of their useful life. The cycle has 7 steps:

Acquisition: The cycle begins with the acquisition, purchase, gift or otherwise, of an asset and the determination that the asset is to be capitalized. To be capitalized the asset has to meet the agency's capitalization limit and have a useful life of one year or more.
Receiving: The asset is formally received and accepted by the agency. Receipt may be verified by entry into an automated purchasing system or by hard copy document. In the case of donated fixed assets, receipt can be verified by a letter to the donor.
Payment: Payment is made for the asset according to the terms of the purchase order or recognition of acceptance of a gift to the donor. The payment includes the acquisition cost, freight and all other costs to put the asset. Acquisition cost of donated fixed assets is determined by its fair market value.
Identification: The asset is identified as an asset, tagged or otherwise identified and entered into the fixed assets management inventory system. Assets are identified with a permanently attached identification tag, etching or by painting on the identification number.
Inventory: The longest step in the cycle. The asset is used over its useful life. Assets are inventoried and accounted for during this step until they are no longer needed. The agency's policies and procedures determine the inventory interval.
Excess: the asset is declared as excess to the user's needs. The asset may be transferred to another user where it will continue to be used, accounted for and inventoried. Assets may be declared as excess more than once until the asset is no longer needed.
Surplus: The last step in the fixed assets management cycle. The asset is declared to be surplus property and to have no further value to the agency. The asset is disposed of by sale or discarding depending on the residual value. Sale can be by auction, sealed bid, spot sale, or through a sales store.

NEED OF THE STUDY:

As constant assets play an important function in enterprise's targets. these constant are not convertible or now not liquid able over a time period. The proprietor's finances and long term liabilities are invested in fixed assets. due to the fact, fixed assets play dominant role within the business and the firm has usage of constant assets. So, ratio contributes in studying and evaluating the performance of the commercial enterprise. If corporations constant property are idle and now not applied nicely it affects the lengthy-term sustainability of the company, which may also affect liquidity and solvency and profitability positions of the company. The idle of constant property results in a outstanding loss in monetary value and intangible fee accomplice of it. So, this could cause assessment of constant property overall performance. evaluating with similar business enterprise and assessment with industry standards. constant belongings are the assets which can't be liquidated into coins inside one year. The big amounts of budget of the enterprise are invested in these property. every yr company invests an extra fund in these property at once or indirectly. The survival and different targets of the company rely upon running overall performance of control i.e. powerful usage of these belongings. Company has evaluated the overall performance, of fixed assets with percentage of capital employed on net assets turnover and different parameters which might be beneficial for evaluating the performance of fixed property.

SCOPE OF THE STUDY:

The project is covered on fixed assets of **TOYOTA MOTORS LTD.** Drawn from annual reports of the company. The subject matter is limited to fixed assets, its analysis and its performance but not to any other areas of accounting corporate, marketing and financial matters.

OBJECTIVES OF THE STUDY:

1. To know the amount of capital expenditure made by the company in different fixed assets and their percentage of overall capital expenditure in **TOYOTA MOTORS LTD** during study period 2015-20
2. To evaluate fixed assets performance of **TOYOTA MOTORS LTD.**
3. To evaluate the fixed assets turnover of **TOYOTA MOTORS LTD.**
4. To evaluate depreciation and method of depreciation adopted **by TOYOTA MOTORS LTD.**

RESEARCH METHODOLOGY:

The data used for the analysis and interpretation is from annual reports of the company i.e., secondary forms of data. Ratio analysis is used for calculation purpose. The project is

presented using tables, graphs and with their interpretations. No survey is undertaken or observation study is conducted by evaluating fixed assets performance of the company.

SOURCES OF DATA:

The data needed for this project is collected from the following sources:

1. The data is adopted purely from secondary sources.
2. The theoretical contents are gathered purely from eminent text books and references.
3. The financial data and information is gathered from annual reports of the company.

Data is data that has been collected for another purpose. When we use Statistical Method with Primary Data from another purpose for our purpose we refer to it as Secondary Data. It means that one purpose's Primary Data is another purpose's Secondary Data. Secondary data is data that is being reused. Usually in a different context.

Research where one gathers this kind of data is referred to as **desk research**.

For example: data from a book

PERIOD OF STUDY:

Made a study for the period of 5 years .2015-16 to 2019-19

LIMITATIONS

1. The study is limited into the date and information provided by the **TOYOTA MOTORS LTD** and its annual reports.
2. The report may not provide exact fixed assets status and position of **TOYOTA MOTORS LTD;** it may be varying from time to time and situation to situation.
3. This report is not helpful in investing in **TOYOTA MOTORS LTD**
4. Either through disinvestments or capital market.
5. The accounting procedure and other accounting principles are limited by the changes made by the company, may vary fixed assets performance.

DATA ANALYSIS

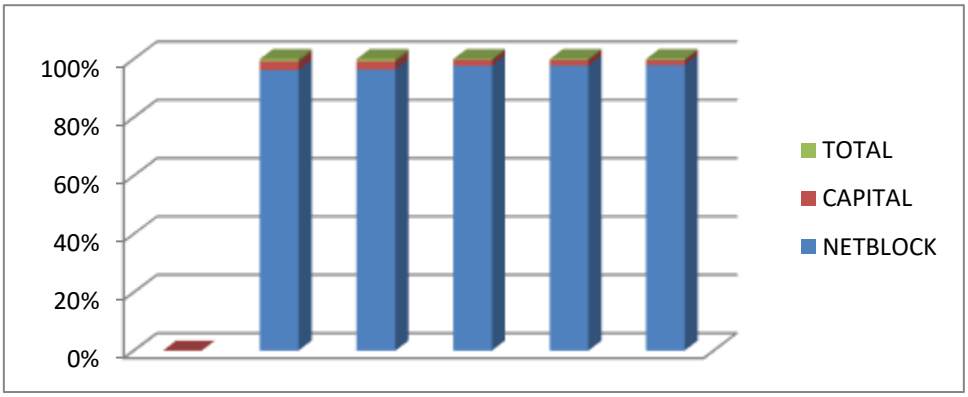
COMPONENTIAL ANALYSIS:

The componential analysis of the fixed assets of TOYOTA MOTORS LTD includes net blocks, capital (work in progress) and construction stores and advances. The data relating to different components of fixed assets of the **TOYOTA MOTORS LTD**for 5 years commencing from 2018-19 to 2018-19 are set out in the following table analysis:

TABLE -4.1 :COMPONENTIAL ANALYSIS

YEAR	NETBLOCK (FIXEDASSETS)	CAPITAL (W\P)	TOTAL
2014-15	4635.69	154.49	37.23745
2015-16	4941.68	154.49	39.6954
2016-17	14500.25	274.04	41.60068
2017-18	**14734.82**	**274.07**	**42.45245**
2018-19	**16152.36**	**274.19**	**47.86038**

FIGURE 4.1 COMPONENTIAL ANALYSIS



INTERPRETATION:

By observing the above table it reveals that the investment in the net block is in increasing trend .It was 37.23 over the total fixed assets during the year 2014 and it has increased to 47.86 during the year 2018-19.

TREND ANALYSIS:

In monetary analysis the path of exchange over a duration of years is of preliminary importance. Time series and fashion analysis of ratio indicates the course of adjustments. This form of evaluation is specially applicable to the profit and loss account. it's far advisable that traits of sales and internet income can be studied inside the light of factors. the overall rate degree that is probably found in exercise is that a number of companies could be proven at continual boom over duration of years but to get a real trend of growth, the sales determine have to be adjusted by a appropriate index of popular fees.

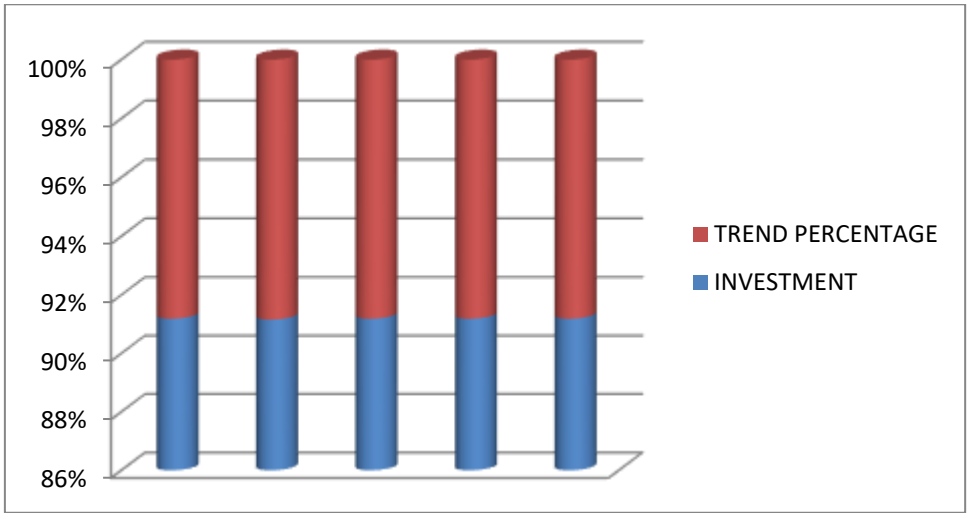
In different phrases, income figures should be deflated for elevating charge level. any other method of securing trend of boom and the one which can be used in place of adjusted sales determine or as to check on them is to tabulate and lot the output of physical volume of the income expressed in suitable gadgets of measure. the general rate stage isn't always taken into consideration while reading fashion in boom as it could lie to control. they will come to be unduly constructive in length of prosperity and pessimistic in twin intervals.

For trend evaluation using index numbers is typically endorsed, the technique observed is to assign the numbers to objects of base years and at calculated percentage alternate in each item of other years in terms of base year. This manner may be known as as "fixed percentage approach". This margin determines the route of upward or downward and involves the implementation of the percentage relationship of each announcement object method at the identical within the base year. generally the first 12 months is taken as the base year. The figures of the bottom yr are taken as a hundred and trend ratio for the opposite years is calculated on the premise of first yr. right here an try is made to know the growth fee in overall investment and fixed belongings of the TOYOTA cars LTD for 5 years that is 2018-19 to 2018-19.

TABLE NO. 4.2: GROWTH IN TOTAL INVESTMENT:

YEAR	INVESTMENT	TREND PERCENTAGE
2014-15	1034.80	**100**
2015-16	1969.55	**191.340356**
2016-17	3730.32	**360.487051**
2017-18	3788.77	**366.165485**
2018-19	5108.72	**493.691835**

FIGURE NO 4.2: GROWTH IN TOTAL INVESTMENT



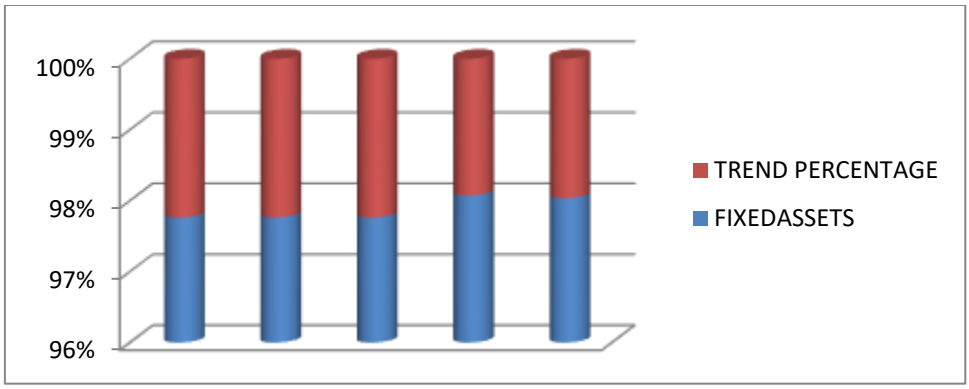
INTERPRATATION:

From the analysis of above table it can be observed that Total Investment of **TOYOTA MOTORS LTD** had change and the growth rate is increased and in the year 2014 it is the increasing stage and in the year 2016 it is increased due to increased in the current block. It is constant from 2017-18 to 2018-19.

TABLE NO-4.3:GROWTH RATE IN FIXED ASSETS:

YEAR	FIXEDASSETS	TREND PERCENTAGE
2014-15	4365.38	**100**
2015-16	4719.99	**108.054514**
2016-17	10890.33	**249.470378**
2017-18	**15196.16**	**278.695784**
2018-19	**17025.19**	**321.282225**

FIGURE NO- 4.3 GROWTH RATE IN FIXED ASSETS



INTERPRETATION:

The above table shows that the investments in fixed assets are increasing. So this is a good sign for the company. When compared to 2018-19 it is been continuously increased in different ratio percent to 321.28%

RATIO ANALYSIS:

Ratio analysis is a powerful tool of financial analysis. A ratio is defined as the indicated Quotient of two mathematical expressions and Ratios look at the relationship between individual values and relate them to how a company has performed in the past, and might perform in the future.

The absolute accounting figure reported in financial statement does not provide a meaningful understanding of the performance and financial position of the firm. Ratios help us to summarize large quantities of financial data and to make qualitative judgment about firm's financial performance

1.FIXED ASSETS TO NET WORTH RATIO :

This ratio establishes the relationship between fixed assets and net worth .

Net worth = share capital + reserves and surplus + retained earnings

Fixed assets to net worth ratio = Fixed assets/Net worth

The ratio of "Fixed assets" to "Net worth" indicates the extent to which share holders funds are sunk into the fixed assets. Generally, share holders should finance for

Purchasing fixed assets and equity including the reserves and surpluses and retained earnings. If the ratio is less than 100% it implies that owner's funds are more than total fixed assets and the share holder provide a part of working capital. When the ratio is more than 100% it implies that owner's funds are not sufficient to finance the fixed assets and financier has to depend upon outsiders to finance the fixed assets. There is no "Rule of Thumb" to interpret but 60%-65% is considered to be satisfactory ratio in case of industrial undertaking.

2. FIXED ASSET RATIO:

This ratio explains whether the firm has raised adequate long term fund to meet its fixed assets required and is calculated as under:

= Fixed assets (after depreciation)

Capital employed

This ratio gives an idea as to what part of the capital employed has been used in purchasing the fixed assets for the concern. If the ratio is less than 1 it is good for the concern.

3. FIXED ASSETS AS A PERCENTAGE TO CURRENT LIABILITIES:

The ratio measures the relationship between fixed assets and the funded debts and is very useful to the long term erection. The ratio can be calculated as shown below

Fixed assets as a percent of current liabilities=Fixed Assets/Current liabilities

TOTAL ASSETS TURN OVER RATIO:

The ratio is calculated by dividing the net sales by the value of total assets that is (net sales/total investment) or (sales/total investment).A high ratio is an indicator of over trading of total assets while a low ratio reveals idle capacity. The traditional standard for the ratio is two times. = Net sales/Total Assets

FIXED ASSETS TURNOVER RATIO:

The ratio expresses the no. of times fixed assets are being turned over in a stated period. It is calculated under.

= sales/Net fixed assets (after depreciation)

This ratio shows how well the fixed assets are being used in business. The ratio is important in case of manufacturing concern because sales are produced not only by use of current assets but also by amount invested in fixed assets the higher ratio, the better is the performance. On the other hand, a low ratio indicates that fixed assets are not being effectively utilized.

RETURN ON TOTAL ASSETS:

= Profit after tax/Total assets

This ratio is calculated to measure the profit after tax against invested in total assets to ascertain whether assets are being utilized properly or not.

The higher the ratio the better it is for the concern.

Let us use ratios in the (TOYOTA MOTORS LTD) information:

FIXED ASSETS TO NET WORTH RATIO

The ratio indicates the extent to where the shareholders funds are struck in the fixed assets. The formula to compute fixed assets to net worth is calculated as follows:

Fixed assets (after depreciation)/Net worth

NET WORTH =share capital + reserves and surplus + retained earnings-net loss.

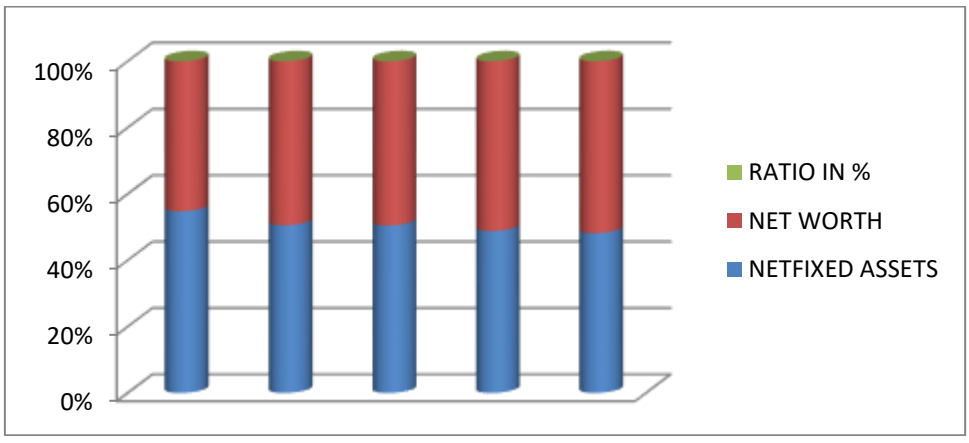
If the ratio is less than 100% it implies that owner's funds are more than the fixed assets and the shareholders and vice versa provide a part of working capital.

Fixed assets to net worth ratio = Net fixed assets/Net worth

TABLE -4.4 FIXED ASSETS TO NET WORTH RATIO

YEAR	NETFIXED ASSETS	NET WORTH	RATIO IN %
2014-15	4365.38	3602.10	1.2149
2015-16	4719.99	4608.65	1.02351
2016-17	10890.33	10666.04	1.02103
2017-18	**15196.16**	**15859.82**	0.94606
2018-19	**17025.19**	**18234.82**	0.92061

FIGURE -4.4 :FIXED ASSETS TO NET WORTH RATIO



INTERPRETATION:

The above table shows a continuous increase in net worth and fixed assets. This shows the satisfactory position of the company.

FIXED ASSET RATIO:

Capital employed=shareholders fund + Long-Term borrowings

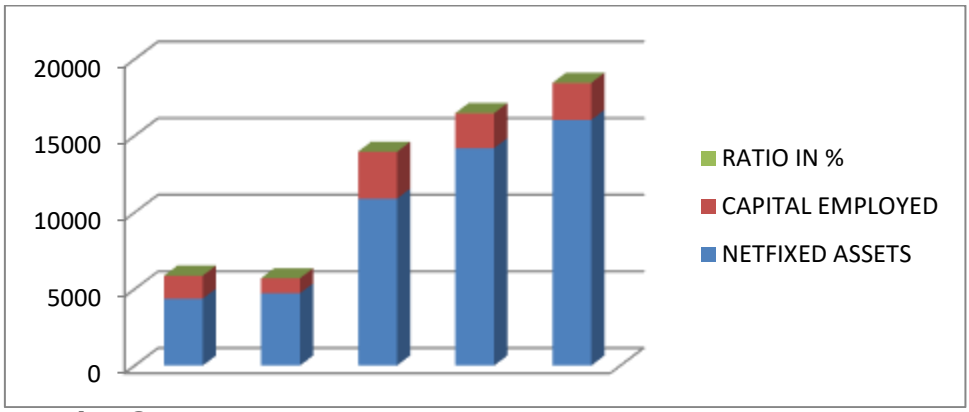
Fixed assets (after depreciation)

Capital Employed

TABLE-4.5 FIXED ASSETS RATIO

YEAR	NETFIXED ASSETS	CAPITAL EMPLOYED	RATIO IN %
2014-15	4365.38	1599.57	**3.359096**
2015-16	4719.99	978.68	**4.819747**
2016-17	10890.33	3063.83	**3.554482**
2017-18	**15196.16**	**2286.19**	**5.321944**
2018-19	**17025.19**	**2421.52**	**5.791995**

FIGURE 4.5 FIXED ASSET RATIO



INTERPRETATION

The above table shows growth in fixed assets satisfactory position of fixed assets in the company. Long term funds show less fluctuation, there is no change the highest percent 5.79 recorded in the year 2018-19. That shows the position of the company is satisfactory.

FIXED ASSETS AS A PERCENTAGE TO CURRENT LIABILITIES:

Fixed assets as a percentage to current Liabilities

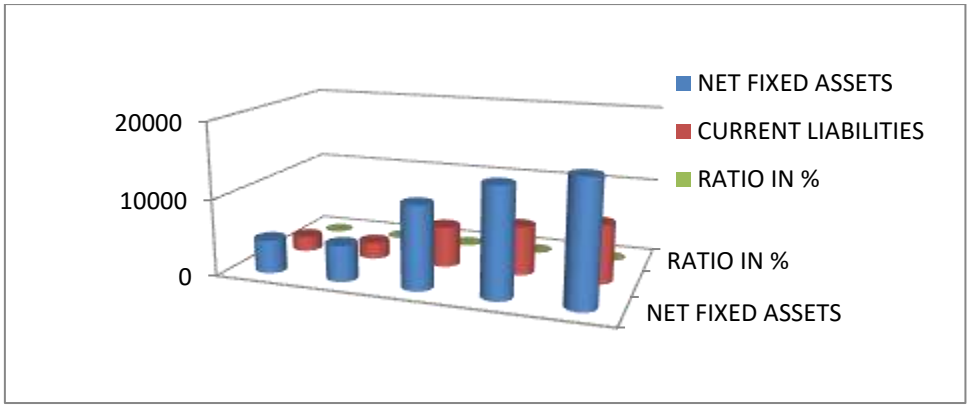
= __fixed assets__

Current Liabilities

TABLE- 4.6 FIXED ASSETS AS PERCENTAGE TO CURRENT LIABILITIES

YEAR	NET FIXED ASSETS	CURRENT LIABILITIES	RATIO IN %
2014-15	4365.38	1982.39	**2.202079**
2015-16	4719.99	2183.61	**2.190271**
2016-17	10890.33	5345.56	**2.037266**
2017-18	**15196.16**	**6420.48**	**1.894894**
2018-19	**17025.19**	**7714.26**	**1.819793**

FIGURE -4.6 FIXED ASSET AS PERCENTAGE TO CURRENT LIABILTIES



INTERPRETATION:

The above table shows the relationship between fixed and current Liabilities. The above table shows growth in fixed assets this shows the satisfactory position of fixed assets in the company. Even the current liabilities are increasing. The highest percentage recorded was in the year 2018-19 i.e., 2.20 and the lowest was in the year 2015-2016 i.e., 1.81.

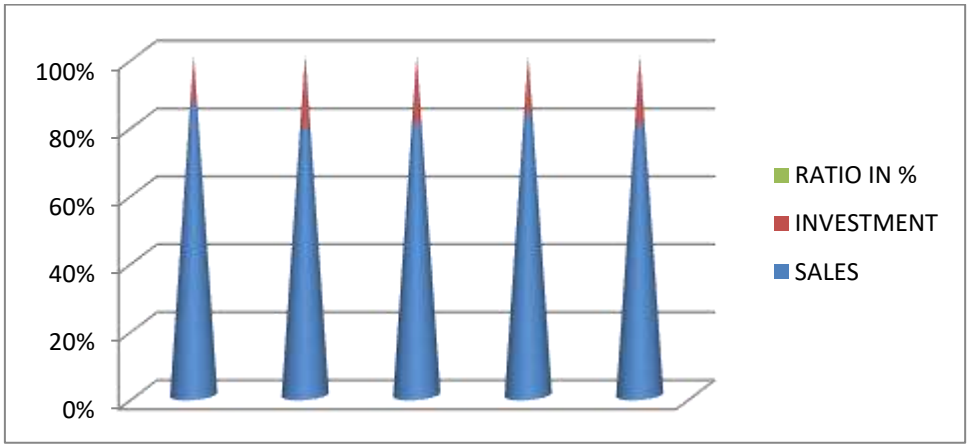
TOTAL INVESTMENT TURN OVER RATIO:

The total investment turnover ratio can be calculated by the formula as given under
Total investment ratio =Sales/Total investment

TABLE -4.7 TOTAL INVESTMENT TURN OVER RATIO

YEAR	SALES	INVESTMENT	RATIO IN %
2014-15	**6385.50**	**1034.80**	6.190758
2015-16	**7042.82**	**1969.55**	4.219394
2016-17	**16205.64**	**3730.32**	3.540082
2017-18	**19270.69**	**3788.77**	4.822328
2018-19	**20194.94**	**5108.72**	3.949148

FIGURE-4.7 TOTAL INVESTMENT TURN OVER RATIO



INTERPRETATION

From the above table we can see that sales had an increase Investment is constant from 2016-2017 that signifies the company position is satisfactory.

FIXED ASSETS TURN OVER RATIO:

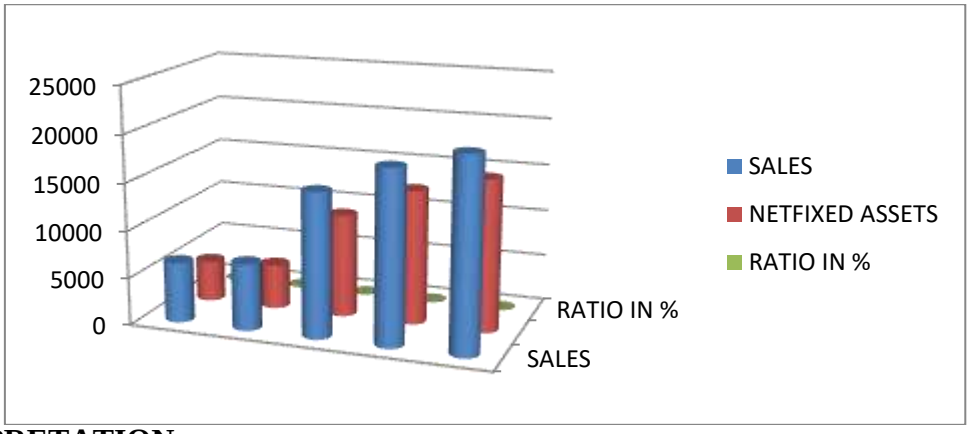
The fixed assets turnover ratio is a relation between the sales or cost of goods and fixed/capital assets employed in a business.

Fixed assets turnover ratio =sales/Total fixed asset

TABLE-4.8 FIXED ASSETS TURN OVER RATIO

YEAR	SALES	NETFIXED ASSETS	RATIO IN %
2014-15	**6385.50**	4365.38	**1.462759**
2015-16	**7042.82**	4719.99	**1.493075**
2016-17	**16205.64**	10890.33	**1.215602**
2017-18	**19270.69**	**15196.16**	**1.501967**
2018-19	**20194.94**	**17025.19**	**1.438478**

FIGURE-4.8FIXEDASSETSTURNOVERRATIO



INTERPRETATION

The above table shows increases in Net fixed assets. That can also be seen clearly in sales, that indicates a good sign.

RETURN ON TOTAL ASSETS:

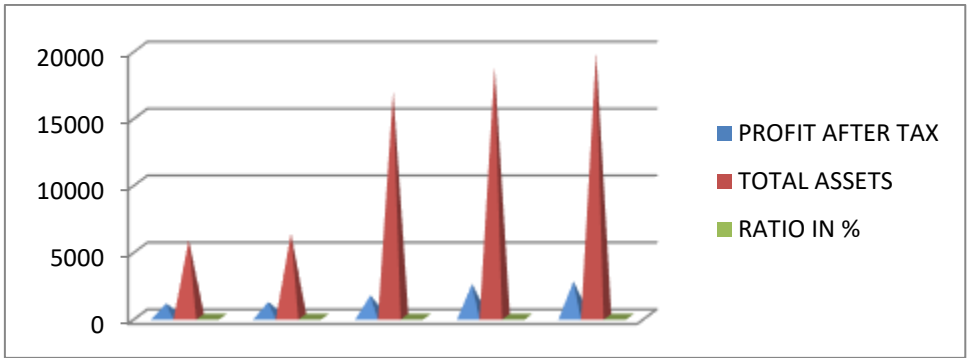
The return on fixed assets can calculate as under:

Return on fixed assets = profit after tax/Total Assets

TABLE NO-4.9 RETURN ON TOTAL ASSETS

YEAR	PROFIT AFTER TAX	TOTAL ASSETS	RATIO IN %
2014-15	977.02	5743.73	**0.190102**
2015-16	1093.24	6216.19	**0.195955**
2016-17	1704.23	17810.64	**0.094815**
2017-18	**2446.19**	**19667.95**	**0.17676**
2018-19	**2655.43**	**19697.50**	**0.16481**

FIGURE NO-4.9 RETURN ON TOTAL ASSETS



INTERPRETATION

The above table shows increase in profit 2018-2019 profit has raise up. This shows the favorable position of the company.

FINDINGS

After analyzing the financial position of **TOYOTA MOTORS LTD** and evaluating its fixed assets management or capital budgeting techniques in respect of component analysis, trend analysis and ratio analysis. The following conclusions are drawn from the project preparation.

The progress of **TOYOTA MOTORS LTD** shows that there is an increase in Net block considerably over the year that the investment in the net block is in increase trend .It increased during the year 2014-2019 and it has 44.49%.

- Regarding to the fixed assets to net worth ratio shows a continuous increase in net worth and fixed assets. This shows the satisfactory position of the company.
- Regarding the long-term funds to fixed assets they show an increase.
- Regarding the total investment turnover ratio it is observed sales had an increase from 2014-2019.
- Regarding the Fixed Asset turnover ratio, sales had an increased.
- Regarding the Return on total assets ratio it has been observed that There is profit. This shows the favorable position of the company.
- From the above study it can be said that the **TOYOTA MOTORS LTD** overall financial position on fixed assets is satisfactory.

SUGGESTION

- It is suggested to improve the position of the company by effective's utilization of fixed assets.
- Growth rate in fixed assets can be increase by employing more investment.
- Total investment to sales can be improved.
- 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.

CONCLUSION

The Fixed asset management of **TOYOTA MOTORS LTD** is quite comfortable with a judicious mix of debt and equity. The overall assessment of financial statement signifies efficient utilization of the investments, loans and advances. The profitability of the company appears to be impressive, as judged by increase in reserves and surplus. The management discussions and analysis by Director's report and opinions expressed by Auditor's report through fixed asset management statements is true and fair view in accordance with the provisions of the companies Acts, and Accounting standards. The overall fixed asset management of the company appears to be more than satisfactory.

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