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A Study On Financial Risk Management With Specific Reference To Neycer India Ltd, Vadalur

[1]ABIRAMI, [2]Dr. CHITRA ISAC

[1]II-MBA, [2]Head, Department of Management, Idhaya college for women, Kumbakonam, India.

[1]abiramitpm1997gmail.com

ABSTRACT - A project report entire to "A STUDY ON FINANCIAL RISK MANAGEMENT SPECIFIC REFERRENCE INDIA LTD. The project report including secondary data in preparing cost sheet. This study is undertaken to prepare cost sheet from the financial statements. so an to analyze the expenses which are contributing to the decline in the firms profit.

Keyword: cost sheet, financial statement, expenses, decline, profit

I. INTRODUCTION

FINANCIAL RISK MANAGEMENT

Financial risk management is the practice of economic value in firm by using financial instruments to manage exposure to risk, foreign exchange risk, shape risk, volatility risk, liquidity risk, inflation risk, business risk, legal risk, reputational risk, sector risk etc, similar to general risk management, financial risk management requires identifying its sources, measuring it and plans to address them.

II. FINANCIAL RISK MANAGEMENT TECHNIQUES

1. INTERNAL RATE RISK

Whenever an investor invests in a bonds on mutual funds offering fixed frte of return there's always a possibility that interest rate might rise, and when this happens the value of that bond will decrease.

2. BUSINESS RISK

It is also known as unsystematic risk usually this risk's related with personal securities for instance issuer of a bond, stock or any other short term asset might run out of cash and declare himself bankrupt.

3. CREDIT RISK

This risk refers to the situation where a particular bond issuer is unable to mark expected principal payments, interested rate payments, or both

BENEFITS OF FINANCIAL RISK MANAGEMENT

Financial risk management is an essential element of any successful business. Terms of specialized employees guide a company through the murky warters of the financial market and create strategies to avoid losses and maximize profit as much as possible. The process is far from an exact science and requires certain amount of financial market savvy to be effective.

Avoiding catastrophe

Planning for potential risks allows for the creation of a financial business strategy that seeks a constant upward trend. This financial business strategy is built literally with the goal of keeping the business profitable and managing financial pitfalls that lead o disaster.

Maximizing opportunity

Financial risk management not only seeks to forecast potential problem areas, but it also works to predict opportunity. This enables the business to act quick on what it sees as good investment scenarios and to work to maximize the financial benefit of these opportunities.

Ensuring business growth

Competition is another factor in financial risk management. The team is able to forces how Review of literature

IMPORTANCE OF FINANCIAL RISK

Why Risk Management is important. Risk management is a term most frequently associated with large businesses due to its crucial importance for corporations. By definition, risk management is the process of understanding, analyzing and addressing potential to ensure objective are achieved.

Financial risk management is important to ensure there isn't another Global Financial Crisis (GFM)it is generally seen as a discipline that focuses on modeling uncertainty and how to best implement methods in which to hedge any amount of downside as demand necessary. This helps a company or investors stay solvent though market downturns, and to stabilize cash flow.

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Identifying- what events or factors can cause you to lose money?

Measuring – how to much money do you stand to lose if those events happen?

Miligating _ what can on do now to avoid losing money in the case that those events occur?

Whether you are a company or an individual, these question k relevant. The failure to do financial risk management means not thinking of your future and the possibility of changing circumstances that could lead to poor outcomes.

III. REVIEW OF LITERTURE

Mihar dash (2008) deals with the impact of currency fluctuations on cash flows of IT service provides (who would be receiving foreign currencies). The risk management strategies considered for the study are: forward currency contracts, currency options and cross currency hedging..

Krishnan sitaraman and sathis prabhu (2010) described mitigating exchange rate risk with illustrative support. They have also showed the progress, operational aspects and new developments of currency futures in India, the paper also suggested introducing the currency option in the market.

Subrate mukheju (2011) discussed risk is the spot and derivative market. She analyzed the spot market transactions with the help of technical analysis and derivative market transaction off setting position in the futures contracts, she said that risk one can e Efficiently minimized with the help of portfolio diversification.

IV. II.RESEARCH METHODOLOGY

RESEARCH

A search for knowledge collection method and a statistical analysis plan. Research design is the frame work that has been created to seek answers to research questions.

Research is careful and detailed study into a specific problem, concern, or issue using the scientific method. It the careful study and investigation for the purpose of discovering and explaining new knowledge.

Research is undertaken with in most professions more than a set of skills it is a way of thinking. Examining critically the various aspects your profess work.

The process used to collect information and data for purpose of making business decisions. The methodology may include publication research, interviews, surveys and other research techniques and could both present and historical information.

RESEARCH DESIGN

Research design is the document of the study is one which information is collected without changing the environment.

The section includes all practical details followed for research. After reading this any interested partly should be able to replicate the research study the method used for data collection how many people tool was used for data collection.

SOURCES OF DATA

The sources of information are generally classified as primary and secondary. According to Pauline v. Young the sources of information can be classified into documentary source and field source. Books, manuscripts , diaries, letters etc, from the secondary or documentary source while the information given\collected by individuals and groups constitute primary or field source.

SECONDARY DATA

The secondary data needed for the study of collected from the financial statement of the company.

OBJECTIVES OF THE STUDY

- To compare the financial statement of his year 2012-2013 to 2013-2014
- To compare the expenses increased on Prime Cost in the year 2013-2014
- To compare the expenses increased on Gross Factory Cost in the year 2013-2014
- To compare the expenses increased on Factory Cost in the year 2013-2014
- To compare the expenses increased on Cost of Production in the year 2013-2014
- To compare the expenses increased on Cost of Production Goods Sold in the year 2013-2014
- To compare the expenses increased on Cost of Sales in the year 2013-2014
- To profit has reduced in 2012-2013

SCOPE OF THE STUDY

- The study mainly attempts to analyze the financial statement of prepare to cost sheet of the a study on financial risk management with special reference to Neycer India Ltd, Vadalur.
- A cost sheet was prepared to analyse the changes in various cost and its impact on the profit or loss.

LIMITATION OF THE STUDY

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- Since financial risk management in prepare cost sheet the profit & loss
- The financial risk in the company to analysis
- The comparative analysis of the cost sheet the profit & loss
- The cannot be used for the purpose of comparison to financial statement. A company is not better off in current year than the revious year because its cost sheet in profit will be decrease.

V. DATA ANALYSIS AND INTERPERTATION

Table 4.1 Analysis of Financial Statement In Cost Sheet Of 2012

Opening stock of raw material (-) closing stock of raw material	43,88,231 6,84,01,419	
		6,40,13,188 5,56,08,496
Direct wages		
Prime Cost		84,04,692
Factory Over Head: Consumption and stores and spare parts Power & fuel Repairs machinery	88,46,909 5,43,4,893 1,03,24,110	7,35,35,912
Gross Factory Cost (+) Opening work in progress		8,19,40,604 54,52,021
(-)Closing work in progress		
		8,73,92,625 44,76,446
Factory Cost		8,19,16,179
Administrative overheads: Rent Repairs to buildings Professional charges Insurance Rates and taxes Audit Certificate Reimbursement of expenses Service tax	14,75,792 12,33,411 42,62,807 3,83,058 9,63,536 85,000 18,000 16,500 12,309	
Cost of production		
(+) opening stock of finished goods		84,50,413
(-) closing stock of finished goods		
Cost of production goods sold		9,13,66,592
Selling and Distribution overheads Travelling and conveyance		5,05,35,821
Selling expenses Increase/(-) Decrease in excise duty on closing stock Miscellaneous expenses		7,33,07,656
		6,85,94,757
Cost of sales Profit Sales	1,25,90,578 55,63,750 8,74,181 85,03,588	
		2,75,32,097
		9,61,26,854 11,92,92,604
		21,54,19,458

FINANCIAL STATEMENT IN COST SHEET OF 2013

Particular	Rs.	Rs.
Opening stock of raw material (-) closing stock of raw material	53,44,552 5,45,93,300	
		4,92,48,748 5,28,15,882
Direct wages		
Prime Cost		3,56,81,134
Factory Over Head: Consumption and stores and spare parts Power & fuel Repairs machinery	63,07,586 4,50,84,582 77,12,284	5,91,04,452
Gross Factory Cost (+) Opening work in progress		
		9,47,85,586 44,76,446
(-)Closing work in progress		
		9,92,62,032 12,27,904
Factory Cost		
Administrative overheads: Rent Repairs to buildings Professional charges Insurance Rates and taxes Audit Certificate Reimbursement of expenses Service tax	16,55,792 8,05,790 77,12,284 3,55,163 26,29,513 85,000 15,000 18,500 14,466	9,80,34,128
Cost of production		13,32,91,132
(+) opening stock of finished goods		
(-) closing stock of finished		

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goods		23,13,25,260
Cost of production goods sold		7,33,07,656
Selling and Distribution overheads		
Travelling and conveyance		
Selling expenses		15,80,17,604
Increase/(-) Decrease in excise duty on closing stock		5,86,48,243
Miscellaneous expenses		
Cost of sales	1,41,81,217	
Profit	58,18,048	9,93,69,361
	6,81,129	
Sales	1,03,00,987	
		2,82,81,381
		12,76,50,742
		11,16,59,169
		23,93,09,911

COMPARATIVE COST SHEET

Particulars	2012	2013	Percentage
Prime cost	84,04,692	3,56,81,134	23.56%
Gross Factory cost	8,19,40,604	9,47,85,586	86.45%
Factory cost	8,19,16,179	9,80,34,128	83.56%
Cost of production	9,13,66,592	23,13,25,260	91.9%
Cost of production goods sold	6,85,94,757	9,93,69,361	69%
Cost o f sales	9,61,26,854	12,76,50,742	71.78%
Profit	11,92,92,604	11,16,59,169	106.8%

INTERPRETATION

- The prime cost has increased in 3,56,81,134
- Gross factory cost has increased by the 9,47,85,586
- Factory cost has increased by the 9,80,34,128
- Cost of production has increased by the 23,13,25,260
- Cost of production goods sold has increased by the 9,93,69,361
- Cost of sales has increased by the 12,76,50,742
- The profit will be decreased

VI. FINDINGS AND SUGGETION, CONCLUSION

FINDINGS

- The price cost has increased by the 2,72,76,442
- Gross factory cost has increased by the 1,28,44,982
- Factory cost is increased by the 1,61,17,949
- Cost of production has increased by the 13,99,58,668
- Cost of production goods sold increased by the 3,07,74,604
- Cost of sales has increased by the 3,15,23,888
- Profit will be decreased 76,33,435

SUGGESTION

Most of the cost has increased in year 2013-2014 thus reducing the profit, as the major increase is in cost of production, it in suggested to cut-short on avoidable expenses and to also find alternative to the existing fixed cost, does reducing the spending.

CONCLUSION

- A cost sheet is an ideal managerial decision tool took dissect the various expenses, and analyse in detail all the increased expenses.
- Every organization has pre-determined set of objectives and goals but reaching those objective and goals only by proper planning and executing of plans economically.
- The cost of profit different between 2012-2013 to 2013-2014.
- In 2013-2014 is all expenses has increased in cost sheet . Incase of sale it has increased 2012-2013. So the profit value has increase than 2013-2014.

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