

# **Appraisal Of Fixed Assets Of A Public Sector Undertaking : A Case Study Of Madhya Pradesh State Agro Industries Development Corporation Limited**

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## **ABSTRACT**

An appraisal of fixed assets is nothing but a particular process of identifying the points of strength and weaknesses by properly establishing a relationship between fixed assets and some other variables, either in the balance sheet, or in the profit and loss account. Such an analysis can be undertaken by the management of a firm, or any party outside a firm, i.e. owners, creditors, investors, research scholars, etc. Undoubtedly, fixed assets constitute an important place in the capital employed by an enterprise, and they also play an important role towards the successful operation of a firm's business. But the utility of fixed assets cannot be judged unless an analysis of fixed assets is made with respect to their productivity, efficiency, performance and profitability, irrespective of their share in the capital employed because there may be cases where the fixed assets occupied a major proportion of the total capital employed, while the profitability was very low and vice versa. The present study examines fixed assets for this purpose through important and selected ratios with special reference to Madhya Pradesh State Agro Industries Development Corporation Limited.

**Keywords :** Fixed Assets, Depreciation, Net worth, Total Capitalization

**JEL Code:** G2, G12, G31

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## **CONCEPT**

Appraisal of fixed assets has assumed an important place in the present business scenario since the problem of obsolescence has become more acute because of rapid scientific and technological developments in the method of production and choices of customers. The management of the corporation, therefore, needs to have a proper appraisal of their fixed assets so that they can identify which assets are not performing as per the required standard, and the management can take effective measures either to repair such assets, or to replace them with more advanced equipment so that production can be increased with minimum cost. The nature of investment in fixed assets requires a certain approach to capital budgeting decisions, making it more formal and analytical than the decisions that are taken in planning for consumption, expenditure, or routine business purposes of any other kind. Thus, it can be said that fixed assets are very important for a business, and it is clear that fixed assets contribute directly to profitability. The technique employed for selecting fixed assets are, therefore, among the most important principles of modern financial theory. Investment in fixed assets is one of the major decisions taken by all business concerns.

## **JUSTIFICATION OF THE STUDY**

The development of agro - based industries can help to realize the various linkages or inter-relationships between industry and agriculture. If the agro- based industries are developed, it will be possible to reduce regional imbalances, and it will also help to realize the essential goal of rural development. Generating employment opportunities on a large scale for the weaker sections of the rural society can also be attained with the development of agro-based industries. Hence, appraisal of fixed assets is indispensable for such agro-based industries, so that one can check whether the fixed assets are being utilized to the fullest of their potential. The present research work was undertaken to make an appraisal of the fixed assets of the agro - based industry of the state of M.P. , since the development of agriculture and agro-based industries will result in the economic growth of the country. Hence, there is a need to understand and analyze the role of agro- based industries in the country.

The Madhya Pradesh State Agro Industries Development Corporation Limited has taken up the promotion of agro -

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based industries in Madhya Pradesh as one of its major objectives. The present study helps to reveal the causes of profit or loss made by the concern, and makes a detailed analysis of the performance of the fixed assets of the concern so that fruitful suggestions could be given to improve its performance in the future.

## **SCOPE OF THE STUDY**

The study highlights the appraisal of fixed assets of a public sector undertaking - Madhya Pradesh State Agro Industries Development Corporation Limited. The study examines this organization which is engaged in the promotion of agro- processing industries in M.P. This study would be helpful for public sector undertakings as well as private agencies engaged in providing complete services for project promotion of agro - based industries. On the basis of this study, both the sectors which are engaged in providing assistance to agro - based industries can easily analyze their financial soundness as well as the extent of services and facilities provided by them to all agro - based industries in M.P.

## **REVIEW OF LITERATURE**

In several countries (e.g., Australia, Belgium, and the United Kingdom), accounting laws allow the value of fixed assets to be revalued upward - without a previous write-down - at managers' discretion. Information asymmetry on the firm's assets value should be reduced by this departure from the historical cost principle (Brown et al., 1992, p. 41). Research on the value relevance of this accounting practice in Australia (Standish and Ung, 1982; Easton et al., 1993) and in different countries have different regulations in this area. For example, upward revaluation is strictly forbidden in Canada and the United States, but is authorized (under certain conditions) in Australia, Belgium, Spain, France, Hong Kong, Italy, Japan, New Zealand, the Netherlands, Switzerland, and the United Kingdom (Raffournier et al., 1998, p. 438). The results in case of New Zealand (Emanuel, 1989; Courtney and Cahan, 2004), the United Kingdom (Barth and Clinch, 1998; Aboody et al., 1999), and for Hong Kong firms (Jaggi and Tsui, 2001) provided mixed results. Given that the choice of whether or not to implement revaluation lies with the management, there is a good reason to question the motivations underlying a practice that has no direct impact on the firm's cash flow besides implementation costs (e.g., additional audit fees). It is reasonable to think that these costs are compensated (Watts, 1977). It may, therefore, be interesting to understand the origins of the compensations in order to comprehend the reasons why managers opt for upward revaluations of fixed assets. The relationship between the short-term liabilities (current liabilities) and current assets determines the liquidity position of firms. This linear position can also be called working capital, which is regarded as the lifeblood of a business enterprise. Working capital refers to that part of a firm's capital, which is required for financing short-term activities (Dong and Su, 2010). Non-Performing Assets (NPA) have emerged as an alarming threat to the Indian banking industry, and their reduction has become synonymous with professional functioning and management of banks. However, NPAs should not be seen as a dilemma, but as a challenge for the banking sector (Khurana and Singh, 2010).

In India, Mishra (2011) investigated the factors that affected central PSUs in India. The results indicated that the capital structure of the profit making manufacturing PSUs is affected by asset tangibility, profitability and tax. The results affirmed that tangibility and growth have a positive effect on leverage ratio, while profitability and tax have a negative effect on capital structure. No evidence was found to support the significant relation between non-debt tax shield, volatility, size and capital structure.

## **PERIOD OF THE STUDY**

The present study covers a period of 12 years from the year 2000 to 2011. Since acquisition of the fixed assets involves a long-term policy, a period of 12 years was considered to be long enough to study the fixed assets of the Madhya Pradesh State Agro Industries Development Corporation Ltd.

## **OBJECTIVES OF THE STUDY**

This study has the following objectives:

- ❖ To analysis the concept of fixed assets.
- ❖ To examine the utilization of fixed assets of the corporation -Madhya Pradesh State Agro Industries Development

Corporation Ltd .

❖ To study whether the long term funds had been properly utilized for financing the fixed assets of M.P. State Agro Industries Development Corporation Ltd.

## **HYPOTHESIS OF THE STUDY**

**There is no significant difference in utilization of long term funds for financing the fixed assets of M.P. State Agro Industries Development Corporation Ltd.**

## **METHODOLOGY**

For the study, statistical data was collected from various reports published periodically by the M.P. State Agro Industries Development Corporation Ltd., offices of the registered agro- based industries, central offices of the agro - processing industries, Govt. of India, that came under Madhya Pradesh Development Corporation Ltd. The statistical techniques like Percentage, Averages, Coefficient of Correlation, Coefficient of Variation, T-test were also applied. For proper analysis and evaluation of operational performance and financial strength, the individual items of Profit and Loss Accounts and Balance Sheet were also regrouped.

## **LIMITATIONS**

The results generated in the present study are completely based upon the secondary data collected from published financial and cost statements obtained from the offices of the M.P. State Agro Industries Development Corporation Ltd. for the years from 2000-2011. Data was also collected from various publications of the agro - based industries in M.P, websites of MPSAIDL and other institutes engaged in the field. Thus, the study unavoidably contains such limitations which are inherited in secondary data. Moreover, non- availability of sufficient literature and information formed a major limitation of the study. Some of the limitations were inevitable due to the fact that the data was grouped and sub -grouped as per the requirements of the study.

## **APPRAISAL OF FIXED ASSETS**

**1) Fixed Assets Turnover Ratio :** It indicates the firm's ability to generate sales per rupees of investment in fixed assets. The objective of computing this ratio is to determine the efficiency with which the fixed assets are utilized. In general, higher the ratio, the more efficient is the management and utilization of fixed assets and vice versa. To judge whether the ratio is satisfactory or not, it should be compared with its own past ratios or with the ratio of similar enterprises in the same industry or with the industry average.

$$\text{Fixed Assets Turnover Ratio} = \frac{\text{Turnover}}{\text{Fixed Assets}}$$

The Fixed Assets Turnover Ratio measures the efficiency of a firm in managing and utilizing its assets. It implies that in case of a high ratio, the firm can expand the activity level without requiring additional capital investments. In using the fixed assets turnover ratio, one point must be kept in mind that the concept of fixed assets is net of depreciation. As a result, the ratio is likely to be higher in the case of an old and established company as compared to a new one, with other things be equal. The turnover ratio in such cases is likely to cast a misleading impression regarding the relative efficiency with which the assets are being used. It should, therefore, be cautiously done.

❖ **Interpretation :** The Fixed Assets Turnover Ratio (Table 1) shows a fluctuating trend. The ratio was the highest in the year 2010-2011, when it was 243.33, while it was the least (33.11) in the year 2000-2001. The overall average of this ratio from 2000-2011 was 69.69. The standard deviation of the fixed assets turnover ratio was 59.80, with a coefficient of variation as 85.81. The fixed assets turnover ratio was 37.82 in the year 2000, which decreased to 33.11 in the year 2001 and then increased to 45.16 in the year 2002. After that, it decreased to 38.42 in 2003, and then increased to 46.48 in 2004 and then again, it decreased in two consecutive years, attaining a value of 36.22 in 2005 and 35.35 in 2006. At last, it increased for the last three consecutive years, and attained the values of 47.70 in 2007, 48.89 in 2008 and 84.42 in 2009.

Table 1 : Table Showing Fixed Assets Turnover Ratio (₹ in lakhs)			
Year	Turnover(₹)	Fixed Assets(₹)	Fixed Assets Turnover Ratio
2000	19575.57	517.64	37.82
2001	16551.4	499.95	33.11
2002	20679.93	457.97	45.16
2003	17301.83	450.36	38.42
2004	20858.39	448.79	46.48
2005	15626.17	431.44	36.22
2006	14839.87	419.79	35.35
2007	20665.13	433.27	47.7
2008	20199.35	413.17	48.89
2009	33612.74	398.15	84.42
2010	52084.22	373.57	139.42
2011	93696.7	385.06	243.33
$\bar{x}$	<b>28807.61</b>	<b>435.76</b>	<b>69.69</b>
$\sigma$	<b>21950.34</b>	<b>41.17</b>	<b>59.80</b>
C.O.V	<b>76.20%</b>	<b>9.45%</b>	<b>85.81%</b>
Growth	<b>378.64%</b>	<b>-25.61%</b>	<b>543.39%</b>
Source: Compiled from Annual Reports of The Madhya Pradesh State Agro Industries Development Corporation Ltd. (From 2000 - 2011)			

**2) Fixed Assets To Net Worth Ratio :** The ratio establishes the relationship between fixed assets and shareholders' funds, i.e., share capital plus reserve, surpluses and retained earnings. The ratio of Fixed Assets to Net Worth indicates

$$\text{Fixed Assets Net Worth Ratio} = \frac{\text{Fixed Assets}}{\text{Net worth}}$$

Table 2 : Table Showing Fixed Assets Net Worth Ratio (₹ in lakhs)			
Year	Fixed Assets (₹)	Net Worth (₹)	Fixed Assets to Net Worth Ratio
2000	517.64	382.88	1.35
2001	499.95	379.52	1.32
2002	457.97	389.33	1.18
2003	450.36	385	1.17
2004	448.79	380.9	1.18
2005	431.44	376.79	1.15
2006	419.79	372.69	1.13
2007	433.27	386.59	1.12
2008	413.17	439.89	0.94
2009	398.15	450.58	0.88
2010	373.57	502.53	0.74
2011	385.06	2608.42	0.15
$\bar{x}$	<b>435.76</b>	<b>587.93</b>	<b>1.03</b>
$\sigma$	<b>41.17</b>	<b>610.39</b>	<b>0.31</b>
C.O.V	<b>9.45%</b>	<b>103.82%</b>	<b>30.50%</b>
Growth	<b>-25.61%</b>	<b>581.26%</b>	<b>-89.07%</b>
Source: Compiled from Annual Reports of The Madhya Pradesh State Agro Industries Development Corporation Ltd. (From 2000 - 2011)			

the extent to which shareholders' funds are sunk into the fixed assets. Generally, the purchase of fixed assets should be financed by shareholders' equity, including reserves, surpluses and retained earnings. If the ratio is less than 100%, it implies that owner's funds are more than the total fixed assets, and a part of the working capital is provided by the shareholders. When the ratio is more than 100%, it implies that owner's funds are not sufficient to finance the fixed assets, and the firm has to depend upon outsiders to finance the fixed assets. There is no 'rule of thumb' to interpret this ratio, but 60 to 65 percent is considered to be a satisfactory ratio in case of industrial undertakings.

❖ **Interpretation :** It can be seen from the Table 2 that the Fixed Assets to Net Worth Ratio shows very meager fluctuations, and the values were in the range of 0.15 - 1.35. The ratio was the lowest, i.e. 0.15 or 15% in the year 2010-2011, while it was the highest in the year 1999-2000, when it was 1.35 or 135%. The overall average for the whole period of the study was 1.03 or 103%. Fixed assets to net worth ratio was 135% in the year 2000, which decreased to 132% in the year 2001. It again decreased to 118% in the year 2002 and further decreased to 117% in the year 2003. In the year 2004, it increased to 118%, however, in the year 2005, it decreased to 115% and for the year 2006, it further decreased to 113% and went down further to 112% in the year 2007. The value kept going down and was 94% in the year 2008 and was 88% in the year 2009. The standard deviation of the fixed assets to net worth ratio was 0.31, with coefficient of variation as 30.50%.

**3) Depreciation To Turnover :** Fixed assets help to generate income over a long period and in this process, they lose their worth in the form of depreciation. Further depreciation is charged on fixed assets because of the limited economic life enjoyed by these assets. Naturally, when a particular asset is charged with depreciation, the concerned organization should try to produce a sale, which can at least guarantee that the depreciation is written off. So in order to know the turnover efficiency with regard to depreciation, the depreciation to turnover ratio was calculated. This ratio indicates the amount of sale which has been consumed by depreciation charged by the concern.

$$\text{Depreciation to Turnover} = \frac{\text{Depreciation}}{\text{Turnover}}$$

The lower the ratio, the greater is the profitability and higher the ratio, the lower is the profitability.

Table 3 : Table Showing Depreciation to Turnover (₹ in lakhs)			
Year	Depreciation (₹)	Turnover(₹)	Depreciation to Turnover
2000	517.04	19575.57	2.64
2001	537.94	16551.4	3.25
2002	519.33	20679.93	2.51
2003	556.43	17301.83	3.22
2004	575.29	20858.39	2.76
2005	604.11	15626.17	3.87
2006	634.01	14839.87	4.27
2007	654.25	20665.13	3.17
2008	687.25	20199.35	3.4
2009	692.63	33612.74	2.06
2010	690.91	52084.22	1.33
2011	724.58	93696.7	0.77
$\bar{x}$	<b>616.15</b>	<b>28807.61</b>	<b>2.77</b>
$\sigma$	<b>71.13</b>	<b>21950.34</b>	<b>0.96</b>
<b>C.O.V</b>	<b>11.54%</b>	<b>76.20%</b>	<b>34.72%</b>
<b>Growth</b>	<b>40.14%</b>	<b>378.64%</b>	<b>-70.71%</b>
Source: Compiled from Annual Reports of The Madhya Pradesh State Agro Industries Development Corporation Ltd. (From 2000 - 2011)			

❖ **Interpretation** : The Table 3 shows the Depreciation to Turnover Ratio, as we can see that the ratio was the least in the year 2010-2011, when it was 0.77; it was the highest in the year 2005-2006, when it was 4.27. This ratio was fluctuating in the initial years of the study upto 2004-2005, but showed a continuous fall in the later period of the study i.e. from 2005-2006 until 2008-2009. The overall average for the period of the study was 3.11. The standard deviation of the depreciation to turnover ratio was 0.96, with coefficient of variation as 34.72%. The depreciation to turnover ratio was 2.64 in the year 2000, which increased to 3.25 in the year 2001, and then it decreased to 2.25 in the year 2002. After that, it increased to 3.22 in the year 2004, it further increased to 3.87 in the year 2005 and was 4.27 in the year 2006. In the year 2007, it decreased to 3.17, and after that, it increased to 3.40 in the year 2008 and at last, decreased to 2.06 in the year 2009.

**4) Fixed Assets To Long Term Funds Ratio** : The Fixed Assets To Long Term funds ratio indicates the extent to which the fixed assets are financed by long term funds of the firm. Generally, the total of the fixed assets should be equal to the total of the long-term funds. However, in case the fixed assets exceed the total of the long-term funds, it implies that the firm has financed a part of the fixed assets out of current funds or the working capital, which is not a good financial policy. And if the total long-term funds are more than the total fixed assets, it means that a part of the working capital requirement is met out of the long-term funds of the firm.

$$\text{Fixed Assets to Long Term Funds} = \frac{\text{Fixed Assets}}{\text{Long Term Funds}}$$

Long term funds consist of shareholders' funds plus long term borrowings, and fixed assets consist of net fixed assets. The ratio of fixed assets to long term funds is considered to be a variant of the ratio of fixed assets to net worth.

<b>Table 4 : Table Showing Fixed Assets to Long Term Funds Ratio (₹ in lakhs)</b>			
<b>Year</b>	<b>Fixed Assets(₹)</b>	<b>Long Term Funds(₹)</b>	<b>Fixed Assets to Long Term Funds</b>
2000	517.64	1072.62	0.48
2001	499.95	857.09	0.58
2002	457.97	1308.9	0.35
2003	450.36	2442.36	0.18
2004	448.79	794.47	0.56
2005	431.44	664.91	0.65
2006	419.79	683.81	0.61
2007	433.27	702.71	0.62
2008	413.17	721.61	0.57
2009	398.15	740.51	0.54
2010	373.57	759.41	0.49
2011	385.06	778.31	0.49
<b><math>\bar{x}</math></b>	<b>435.76</b>	<b>960.56</b>	<b>0.51</b>
<b><math>\sigma</math></b>	<b>41.17</b>	<b>481.11</b>	<b>0.13</b>
<b>C.O.V</b>	<b>9.45%</b>	<b>50.09%</b>	<b>24.62%</b>
<b>Growth</b>	<b>-25.61%</b>	<b>-27.44%</b>	<b>3.07%</b>
Source: Compiled from Annual Reports of The Madhya Pradesh State Agro Industries Development Corporation Ltd. (From 2000 - 2011)			

❖ **Interpretation** : The Table 4 shows the Fixed Assets to Long term funds ratio, as we can see that the ratio was the least in the year 2002-2003, when it was 0.18, it was highest in the year 2004-2005, when it was 0.65. This ratio kept fluctuating throughout the period of the study, i.e. from the years 2000-2009, but showed a continuous fall in the later period of the study, i.e. from 2006-2007 until 2008-2009. The overall average for the period of the study was 0.51. The standard deviation of the fixed assets to long term funds ratio was 0.13, with coefficient of variation as 24.62%. Fixed



<b>Table 5 : Table Showing Fixed Assets to Total Capitalization (₹ in lakhs)</b>			
<b>Year</b>	<b>Fixed Assets(₹)</b>	<b>Total Capitalization (₹)</b>	<b>Fixed Assets to Total Capitalization</b>
2000	517.64	1455.5	0.36
2001	499.95	1236.62	0.4
2002	457.97	1698.23	0.27
2003	450.36	2827.36	0.16
2004	448.79	1175.36	0.38
2005	431.44	1041.7	0.41
2006	419.79	1056.5	0.4
2007	433.27	1089.3	0.4
2008	413.17	1161.5	0.36
2009	398.15	1191.09	0.33
2010	373.57	1261.94	0.30
2011	385.06	3386.74	0.11
<b><math>\bar{x}</math></b>	<b>435.76</b>	<b>1548.49</b>	<b>0.32</b>
<b><math>\sigma</math></b>	<b>41.17</b>	<b>727.53</b>	<b>0.09</b>
<b>C.O.V</b>	<b>9.45</b>	<b>46.98</b>	<b>28.97</b>
<b>Growth</b>	<b>-25.61</b>	<b>132.69</b>	<b>-68.42</b>
Source: Compiled from Annual Reports of The Madhya Pradesh State Agro Industries Development Corporation Ltd. (From 2000 - 2011)			

assets to long term funds was 0.48 in the year 2000, which increased to 0.58 in the year 2001, and then it decreased in the year 2002 and attained a value of 0.35. The value decreased drastically in the year 2003 and reached an all time low value of 0.18. However, the ratio increased and attained the value of 0.56 in the year 2004 and further increased to 0.65 in the year 2005. It then decreased to 0.61 in the year 2006 and increased to 0.62 in the year 2007. After that, it decreased to 0.57 in the year 2008, and further decreased to 0.54 in the year 2009.

**5) Fixed Assets To Total Capitalization :** The ratio establishes the relationship between fixed assets to total capitalization, and is very useful for long term creditors.

$$\text{Fixed Assets to Total Capitalization} = \frac{\text{Fixed Assets}}{\text{Total Capitalization}}$$

❖ **Interpretation :** The Table 5 shows the fixed assets to total capitalization ratio, as we can see that the ratio was the least in the year 2010-2011, when it was 0.11; it was the highest in the year 2004-2005, when it was 0.41. This ratio fluctuated throughout the period of study i.e. from 2000-2009, but showed a continuous fall in the later period of the study i.e. from 2007-2008 till 2008-2009. The overall average for the period of the study was 0.32. The standard deviation of the fixed assets to total capitalization ratio was 0.09, with coefficient of variation as 28.97%. The ratio showed a decreasing trend from 2000-2001 to 2003-2004, when it came down from 0.40 to 0.16. In the year 2004-2005, it showed an increase in value, when it reached 0.41 from 0.38 in the previous year. However, it again came down to 0.33 in the year 2008-2009. The years 2006-2007 and 2007-2008 witnessed stability, when the ratio remained at 0.40, but it again came down in the very next year, when it reached a value of 0.36.

**6) Fixed Assets to Total Assets :** The ratio establishes the relationship between the fixed assets to total assets and is very useful to understand the position of fixed assets in the total assets of the firm.

$$\text{Fixed Assets to Total Assets} = \frac{\text{Fixed Assets}}{\text{Total Assets}}$$

<b>Table 6 : Table Showing Fixed Assets to Total Assets (₹ in lakhs)</b>			
<b>Year</b>	<b>Fixed Assets (₹)</b>	<b>Total Assets (₹)</b>	<b>Fixed Assets to Total Assets</b>
2000	517.64	9076.68	0.06
2001	499.95	9430.83	0.05
2002	457.97	8997.75	0.05
2003	450.36	9704.61	0.05
2004	448.79	7125.56	0.06
2005	431.44	8292.47	0.05
2006	419.79	8082.28	0.05
2007	433.27	20293.36	0.02
2008	413.17	18466.39	0.02
2009	398.15	29982.13	0.01
2010	373.57	24943.56	0.01
2011	385.06	41853.93	0.01
<b><math>\bar{x}</math></b>	<b>435.76</b>	<b>16354.13</b>	<b>0.04</b>
<b><math>\sigma</math></b>	<b>41.17</b>	<b>10596.88</b>	<b>0.02</b>
<b>C.O.V</b>	<b>9.45%</b>	<b>64.80%</b>	<b>52.13%</b>
<b>Growth</b>	<b>-25.61%</b>	<b>361.11%</b>	<b>-84.67%</b>
Source: Compiled from Annual Reports of The Madhya Pradesh State Agro Industries Development Corporation Ltd. (From 2000 - 2011)			

❖ **Interpretation :** The Table 6 shows the fixed assets to total assets ratio, as we can see that the ratio was the least in the year 2008-2009, 2009-2010 and in the year 2010-2011, when it was 0.01 ; it was the highest in the year 1999-2000 and in the year 2003-2004, when it was 0.06. This ratio remained almost consistent throughout the period of study i.e. from 2000-2009, but showed a continuous fall in the later period of study i.e. from 2006-2007 till 2008-2009. The

<b>Table 7 : Table Showing Current Assets to Total Assets (₹ in lakhs)</b>			
<b>Year</b>	<b>Current Assets (₹)</b>	<b>Total Assets (₹)</b>	<b>Current Assets to Total Assets Ratio</b>
2000	8476.9	9076.68	0.93
2001	8822.31	9430.83	0.94
2002	8495.21	8997.75	0.94
2003	9141.67	9704.61	0.94
2004	6417.34	7125.56	0.9
2005	7289.77	8292.47	0.88
2006	6748	8082.28	0.83
2007	8932.88	20293.36	0.44
2008	8148.94	18466.39	0.44
2009	14032.49	29982.13	0.47
2010	24539.4	24943.56	0.98
2011	41438.06	41853.93	0.99
<b><math>\bar{x}</math></b>	<b>12706.91</b>	<b>16354.13</b>	<b>0.81</b>
<b><math>\sigma</math></b>	<b>9874.66</b>	<b>10596.88</b>	<b>0.21</b>
<b>C.O.V</b>	<b>77.71%</b>	<b>64.80%</b>	<b>26.05%</b>
<b>Growth</b>	<b>388.84%</b>	<b>361.11%</b>	<b>6.46%</b>
Source: Compiled from Annual Reports of The Madhya Pradesh State Agro Industries Development Corporation Ltd. (From 2000 - 2011)			



overall average for the period of the study was 0.04. The standard deviation of the fixed assets to total assets ratio was 0.02, with coefficient of variation as 52.13%. The average amount of fixed assets employed in the business was Rs. 435.76 lakhs, with standard deviation of 41.17 and coefficient of variation as 9.45%. The average amount of total assets employed in the business amounted to ₹ 16354.13 lakhs, with standard deviation of 10596.88 and coefficient of variation as 64.80%.

**7) Current Assets to Total Assets :** The ratio establishes the relationship between the current assets to total assets, and is very useful to understand the position of the current assets in the total assets of the firm.

$$\text{Current Assets to Total Assets} = \frac{\text{Current Assets}}{\text{Total Assets}}$$

❖ **Interpretation :** The Table 7 shows the current assets to total assets ratio, as we can see that the ratio was the least in the year 2007-2008 and 2008-2009, when it was 0.44, it was highest in the year 2009-2010 to 2010-2011, when it was 0.98 and 0.99 respectively. This ratio remained almost consistent during the period from 2000-2001 to 2002-2003, but showed a continuous fall in the later period of the study i.e. from 2006-2007 till 2008-2009. The overall average for the period of the study was 0.81. The standard deviation of the current assets to total assets ratio was 0.21, with coefficient of variation as 26.05%. The current assets to total assets ratio was 0.93 in the year 2000. It increased to 0.94 in the year 2001, and the ratio remained constant in the next two years - 2002 and 2003. After that, it decreased to 0.90 in the year 2004, and further decreased to 0.88 in the year 2005. It continued its downward spree, and decreased to 0.83 in the year 2006. After 2006, the ratio remained constant for the next two years by stabilizing at a value of 0.44 for the years 2007 and 2008. At last, the ratio increased and attained a value of 0.47 in the year 2009.

**8) Fixed Assets to Current Assets :** This ratio indicates the relationship between fixed assets to current assets employed in the business.

$$\text{Fixed Assets to Current Assets} = \frac{\text{Fixed Assets}}{\text{Current Assets}}$$

Table 8 : Table Showing Fixed Assets to Current Assets (₹ in lakhs)			
Year	Fixed Assets (₹)	Current Assets (₹)	Fixed Assets to Current Assets
2000	517.64	8476.9	0.06
2001	499.95	8822.31	0.06
2002	457.97	8495.21	0.05
2003	450.36	9141.67	0.05
2004	448.79	6417.34	0.07
2005	431.44	7289.77	0.06
2006	419.79	6748	0.06
2007	433.27	8932.88	0.05
2008	413.17	8148.94	0.05
2009	398.15	14032.49	0.03
2010	373.57	24539.4	0.02
2011	385.06	41438.06	0.01
$\bar{x}$	<b>435.76</b>	<b>12706.91</b>	<b>0.05</b>
$\sigma$	<b>41.17</b>	<b>9874.66</b>	<b>0.02</b>
C.O.V	<b>9.45%</b>	<b>77.71%</b>	<b>38.62%</b>
Growth	<b>-25.61%</b>	<b>388.84%</b>	<b>-84.51%</b>
Source: Compiled from Annual Reports of The Madhya Pradesh State Agro Industries Development Corporation Ltd. (From 2000 - 2011)			

❖ **Interpretation** : As per the Table 8, the Fixed Assets to Currents Assets Ratio was normally in between 0.03 to 0.7. The highest ratio of 0.07 was in the year 2003-2004, and the least was in the year 2010-2011, when it was 0.01. The overall average was 0.05, which shows that the investments in fixed assets were inadequate, may be because of the nature of the business or may be because of poor investment policies of the company. The standard deviation of the fixed assets to current assets ratio was 0.02, with coefficient of variation as 38.62%. The average fixed assets during the period of the study were of ₹ 435.76 lakhs, with standard deviation of 41.17 and coefficient of variation as 9.45%, showing that least importance was given to investments in fixed assets. Whereas, the average current assets during the period of the study were ₹ 12706.91 lakhs, with standard deviation of 9874.66 and coefficient of variation as 388.84%.

## TESTING OF HYPOTHESIS

❖ **Null Hypothesis (Ho)** : There is no significant difference in utilization of long term funds for financing the fixed assets of M.P. State Agro Industries Development Corporation Ltd.

❖ **Interpretation of t-test**

$$t = 1.04 \text{ \& } t_{0.05} = 1.81$$

$$t < t_{0.05}$$

When degree of freedom (df) is 10 and the level of significance is 5%, the critical value is 1.81. Since the calculated value of t is 1.04, which is less than the table value, we conclude that there is no significant difference in the utilization of long term funds for financing the fixed assets of M.P. State Agro Industries Development Corporation Ltd. Hence, the null hypothesis is accepted.

## CONCLUSION

Fixed assets are non-trading assets, and the enterprise does not deal in them; they actually represent non-liquid and long term property element and the amount invested in them is almost permanently blocked. In the present study, the structure and growth of fixed assets were examined and the impact of gross block upon sales and operating profits was also studied. The efficiency in the use of fixed assets, depreciation and its adequacy and financing of fixed assets was also analyzed, and the researchers observed that the analysis did not yield a satisfactory result. The fixed assets of Madhya Pradesh State Agro Industries Development Corporation Limited constituted only 5% of the total funds employed; this figure was very less in comparison to investment made in current assets. The Plant and Machinery, Land and Building were principal items of gross block of this company.

The average annual growth of net fixed assets of the Madhya Pradesh State Agro Industries Development Corporation Limited was -2.13%, which shows a fall in investments of fixed assets throughout the period of the study, indicating no value addition. The average turnover of fixed assets of the company was very high, which shows that the company utilized its fixed assets very efficiently. The fixed assets turnover was near about 69.69 times, which was due to the reason that the fixed assets were inadequate in amount, and they did not justify the volume of sales. The company's fluctuation in the turnover of fixed assets was mainly due to the fluctuating trend of sales. The financing of the fixed assets was being done through debt capital, which is not good for the organization. The ratio of fixed assets to long term funds was somewhat satisfactory. The fixed assets and current assets mix of Madhya Pradesh State Agro Industries Development Corporation Ltd. was not good up to the year 2006-2007. The study reveals that more than 90% of the company's funds were blocked in current assets, and only 10% of the funds were invested in fixed assets.

## SUGGESTIONS

- 1) The efficiency of the corporation can be improved by better utilization of current assets and fixed assets of the corporation.
- 2) The corporation should try to reduce the blockage of funds in current assets so that current assets may be effectively utilized in the corporation.
- 3) The Madhya Pradesh State Agro Industries Development Corporation Ltd. should invest excess amount in current assets, and should try to invest in other investment schemes so that it can earn more returns.

- 4) The Madhya Pradesh State Agro Industries Development Corporation Ltd. should try to develop effective long-term policies for investment decisions in the business, which in turn is going to have a positive impact on the business.
- 5) The Corporation should try to increase investments in fixed assets, especially in the construction of warehouses.
- 6) The Corporation should aim to maintain adequate current assets and fixed assets ratio as per its requirements.

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