"A comparative study of cash flow statement in cipla and divis labs"

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ABSTRACT: A cash flow statement is a part of financial statements presented in annual general meetings. As per IND AS-7 company prepare cash flow statements which are classified in three parts: first is operating activities, second is investing activities and third one is financial activities. Cash works as blood for a business organisation. One of the key success of every business is cash management. In this study, period of the study is taken from 2017-18 to 2021-22 for data analysis and interpretation. It contains two pharmaceutical companies, CIPLA and DIVIS LAB. This study is based on highest net profit. The study is based on secondary data. For testing hypothesis t test have been used. The major findings of t test indicated that there is no significant difference in cash flow from all the activities. Overall performance of cipla is best in operating and financing activities and divis is best in investing activities.

(Key words: cash flow statement, operating activities, investing activities, financing activities, FDI- foreign direct investment)

1. REVIEW OF LITERATURE

1.

(acharya, 2016) The main objective of the was comparative study of operating, investing and financing activities of selected companies. For the purpose of the study two companies from Chemical Industry Jay Chemical Industries Ltd. and Adhik Chemicals Pvt. Ltd. have been selected. The study is conducted for a period of five financial years from 2007-08 to 2011-12. In this study, mainly secondary data is collected. . For this study following techniques are being used such as Mean, Standard Deviation & Co efficient of Variation. . Performance level of adhik was best in operating activities and investing activity poor in financing activities while jay was best in financing activities was poor in operating activities and investing activities.

(samba, Kumar, & Anand, 2020) The main objective of the paper was to analyse the trends of various activities such as Operating, Investing and financing of select banks and To study the variation among the activities of the banks. The study was based on secondary data. In statistical tools and technique researcher used mean, standard deviation t test and graphical representation. Time period was from 2015-16 to 2019-20. Performance level of sbi was best in operating activities and poor in financing activities while sbi was best in financing activities and hdfc is poor in operating activities and investing activities.

(bharad & dholu, 2021) Main objectives of the study was to evaluate discrepancy between cash flow statements' all activities of sample companies of pharmaceutical industry. This study is based on secondary data for the period of 2015-16 to 2019-20. Paired t test is used by researcher as a tool of analysis of data. In statistical tools researcher used mean, standard deviation and co-variance. After analysis researcher found that in operating activity and in financing activity hypothesis is to be accepted and in investing activity hypothesis is to be rejected.

(Suciani & Setyawan, 2022) The main purpose of the study was to examine the financial performance of selected companies. This is a descriptive study that employs quantitative approaches. The data used is secondary data. This is a descriptive study that employs quantitative approaches. The data used is secondary data the operating cash flow ratio, capital expenditure ratio, cash coverage ratio to current liabilities, cash coverage ratio to net income, and total debt ratio were all considered in this study. The findings of the cash flow ratio calculation indicate that PT Astra International Tbk. has a poor financial performance.

2. RESEARCH METHODOLOGY

32.1 OBJECTIVES OF THE STUDY

This research paper analyse the following objectives:

- To study the trend of operating activities, investing activities, and financing activities of cipla and Davis pharmaceutical companies of India
- To analyse variation in operating activities, investing activities and financing activities of selected pharmaceutical companies of India

2.2 HYPOTHESES FOR THE STUDY

- **H_0=** There is no significant difference between the trends of operating activities, investing activities, and financing activities of Cipla and Davis pharmaceutical companies of India.
- **H_0=** There is no significant difference between the means of operating activities, investing activities and financing activities of selected pharmaceutical companies of India

2.3 PERIOD OF THE STUDY

The period of the study has been considered as 2017-18 to 2021-22 which consist of 5 years' time period.

2.4 SCOPE OF THE STUDY
For the study scope have been divided in to two parts first one is functional scope and second one is geographical scope.

2.4.1. FUNCTIONAL SCOPE
Functional scope of the study has been considered as comparative study of cash flow statement in cipla and divis lab.

2.4.2. GEOGRAPHICAL SCOPE
In this study I selected top two pharmaceutical companies one is cipla and second is divis lab which poses high net profit in India.

3. STATESTICAL TOOLS AND TECHNIQUES
Following tools and techniques has been used for the study as under:
Mean
Standard deviation
Co-efficient of variation
T-test

3.1 (STATISTICAL ANALYSIS: MEAN, STANDARD DEVIATION AND CO VARIANCE)

YEAR	OPERATING ACTIVITIES		INVESTING ACTIVITIES		FINANCING ACTIVITIES	
	CIPLA	DAVIS LAB	CIPLA	DAVIS LAB	CIPLA	DAVIS LAB
2017-18	1116.53	764.72	-592.16	-475.89	-350.96	-314.17
2018-19	1468.05	964.06	-1147.05	-684.24	-473.32	-245.94
2019-20	2018.14	1208.47	-1126.33	-81.38	-693.89	-1091.25
2020-21	3460.31	1947.05	-3360.45	75.34	-65.8	-33.97
2021-22	2773.43	1910.16	-2463.73	-2195.4	-426.72	-531.5
TOTAL	10836.46	6794.46	-8689.72	-3361.57	-2010.69	-2216.83
MEAN	2167.292	1358.892	-1737.94	-672.314	-402.138	-443.366
RANK	_1	2	2	1	1	2
STANDARD DAVIATION	955.8485	543.4578	1328.64	1139.664	227.2294	403.3593
RANK	2	1	2	1	1	2
CO-VARIANCE	44.10335	39.99272	-65.5754	-169.514	-56.5053	-90.9766
RANK	2	1	2	1	2	1

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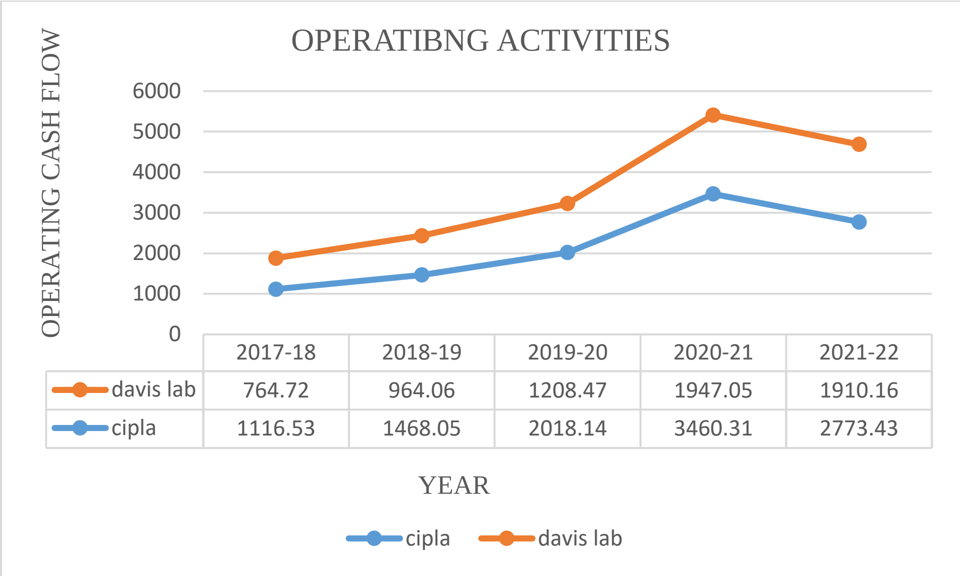
ANALYSIS AND INTERPRETATION

- From the above table it can been seen that the mean of cash flow from operating and financing activities of cipla is more than that of Davis lab. Theoretically, higher the mean higher will be the rank and vice versa. So cipla is given 1st rank and Davis given 2nd rank. But situation is totally opposite in case of investing activities. Accordingly, Davis lab given 1st rank and cipla is given 2nd rank.
- In case of standard deviation, lower the value higher will be in rank and vice versa. Considering this aspect, it is observed that Standard deviation of operating and investing activities of Devis lab is lower than cipla so 1st rank is given to Devis lab in operating and investing activities and 2nd rank is given cipla but if we analyse in financing activities then 1st rank given to cipla and 2nd rank given to Davis lab.
- In case of co-variance also lower the value higher will be rank and vice versa. In all activities of davis lab, variation is lower so 1st rank given to all the activities of davish and 2nd rank given to cilpa in all the activities, so researcher conclude that variation in davis lab is lower than cipla.

3.2 TREND ANALYSIS OF OPERATING ACTIVITIES:



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From the above chart it is observed that cash flow from operating activities is constantly increased from the year 2017-18 to 2020-21 of davis lab and it decrease in the year 2021-22. In the cipla company also cash flow from operating activities is increased from 2017-18 to 2020-21 and it is decrease in the year 2021-22.

T-test: two-sample assuming equal variances for operating activities		
Particulars	**CIPLA**	**DAVIS LAB**
Mean	2167.292	1358.892
Variance	913646.32	295346.42
Observations	5	5
Pooled Variance	604496.37	
Hypothesized Mean Difference	0	
Df	8	
t Stat	1.6439911	
t Critical two-tail	2.306004	

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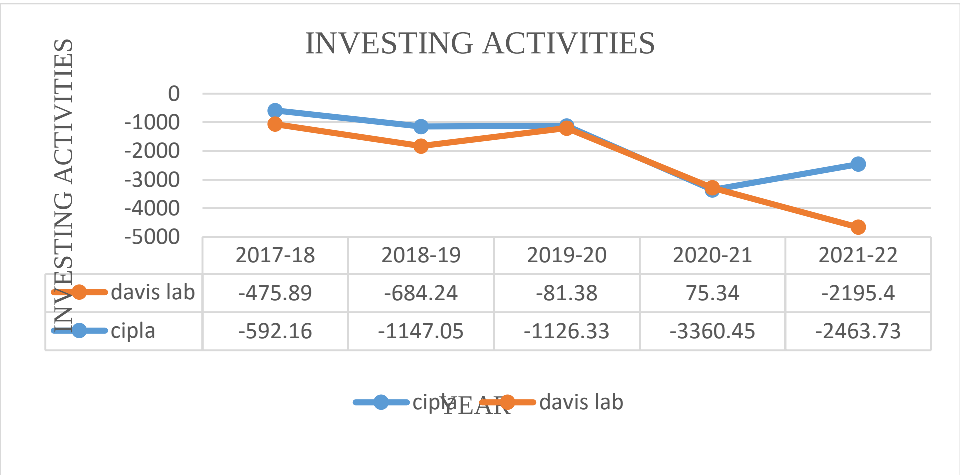
ANALYSIS AND INTERPRETATION

From the above table it is observed that the calculated value of t test (1.6439911) is less than critical value/ table value (2.3060041), the hypothesis is accepted. It means that there is no significant difference between the means of operating activities of selected pharmaceutical companies.

3.3 TREND ANALYSIS OF INVESTING ACTIVITIES:



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From the above chart it is observed that in davis lab cash flow from investing activities is decrease from the year 2017-18 to 2018-19 but then after it is increased in the year 2019-20. In the year 2020-21 cash from is also increased and reach at 75.34 and again in 2021-22 it is decrease. In the company cipla cash flow in 2017-18 is -592.16 so cash flow is decrease and then it is increase. In the year 2020-21 cash flow is decrease and reach at -3360.45 but in the year 2021-22 it is increase at -2463.73.

T-test: two-sample assuming equal variances for investing activities		
particulars	**CIPLA**	**DAVIS LAB**
Mean	-1737.944	-672.314
Variance	1298834.85	816676.269
Observations	5	5
Pooled variance	1057755.56	
Hypothesized mean difference	0	
Df	8	
T stat	-1.63826361	
T critical two-tail	2.306004	

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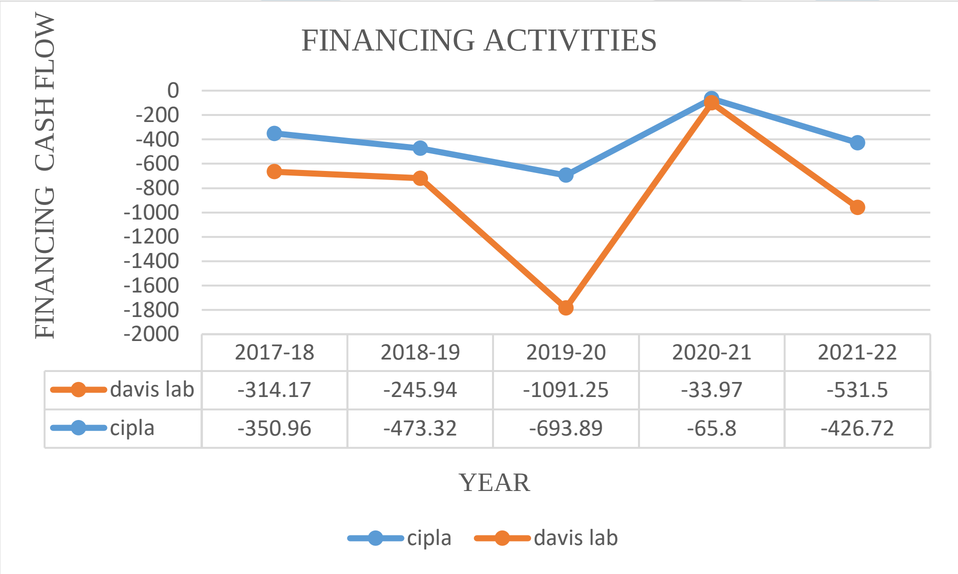
ANALYSIS AND INTERPRETATION

From the above table it is observed that the calculated value of t test (-1.63826361) is less than critical value/ table value (2.30600414), the hypothesis is accepted. It means that there is no significant difference between the means of investing activities of selected pharmaceutical companies

3.4 TREND ANALYSIS OF FINANCING ACTIVITIES:



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From the above chart it is observed that cash flow from financing activities is increased in the year 2017-18 to 2018-19 in both the companies davis and cipla. In 2019-20 it is decreased in both the companies and then it again increased in 2020-21 in both the companies and again it is decrease in the year 2021-22 in both davis and cipla companies.

t-Test: Two-Sample Assuming Equal Variances for financing activities		
	CIPLA	**DAVIS LAB**
Mean	-402.138	-443.366
Variance	51633.2	162698.7
Observations	5	5
Pooled Variance	107166	
Hypothesized Mean Difference	0	
df	8	
t Stat	0.199129	
t Critical two-tail	2.306004	

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ANALYSIS AND INTERPRETATION

From the above table it is observed that the calculated value of t test (0.199129) is less than critical value/ table value (2.306004), the hypothesis is accepted. It means that there is no significant difference between the means of financing activities of selected pharmaceutical companies.

4. SUMMARY OF PAIRED TWO SAMPLE T-TEST

Activities	t-state	t-critical value	Hypothesis accepted or rejected
Operating activities	0.199129	2.306004	accepted
Investing activities	-1.63826361	2.306004	accepted
Financing activities	1.6439911	2.306004	accepted

5. OVER ALL CONCILSION

Level of performance	Operating activities	Investing activities	Financing activities
BEST	cipla	Davis lab	cipla
POOR	Davis lab	cipla	Davish lab

6. FINDINGS /CONCLUSION OF THE STUDY

From the above research, researcher can conclude that overall performance of cipla pharmaceutical company has best performance in operating and financing activities and has poor performance in investing activities while davis lab has best performance in investing activities and poor performance in operating activities and in financing activities. In hypothesis testing all the hypothesis is accepted that there is no significant differences in cash flow from operating, investing and financing activities.

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