

What measures can nimbus motors take to improve its cash flow in the coming financial year?

NAME: AAGMAN DEWAN

MAIN ESSAY: 2005

EXECUTIVE SUMMARY: 220

RESARCH PROPOSAL: 428

Acknowledgements

I would like to thank Mr. Sunil Dewan, director Nimbus Hyundai for providing me with all the relevant and necessary information related to my project. I would like to give another vote of thanks to Mr. SK Mittal, vice president Nimbus Hyundai for providing me with all the necessary financial documents required even with the confidentiality issues involved.

NIMBUS MOTORS PVT. LTD.

Admin : A-109, Sec-5, Noida-201 301, Distt. G.B. Nagar (U.P.)
Phone : 0120-4605200/19/20 Fax : 2421294
E-mail : dewans@nimbushyundai.com
CIN No : U34300DL1998PTC093254



To whom it may concern

This letter informs that, Aagman Dewan studying at Pathway School Noida, has interviewed and discussed with me the various aspect of Nimbus Hyundai as mentioned in this report in respect to our company's cash flow problems.

This is to assure that the work is his own and has been done under my supervision.

Regards,



Sunil Dewan
Director

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: A-23, Sector-5, Noida-201 301 Distt. Gautam Budh Nagar (U.P.) Tel. : 2421392-393
Ghaziabad : A-3, Industrial Area, Meerut Road, Ghaziabad Tel. : 4172300
Sahibabad : S-17, Site-IV, Sahibabad Industrial Area, Sahibabad, Ghaziabad Tel. : 4757200 Fax : 2771521
: Shop No.-6, B-108, Duggal Colony, Khanpur, Extn., Devii Road, New Delhi-110062

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Research Proposal

What measures can nimbus motors take to improve its cash flow in the coming financial year?

Rationale: Nimbus motors ltd. is a Hyundai car dealing company, it functions in various sectors such as sale and purchase of new as well as second hand cars, car servicing, providing accessories. On an average there are 15-20 clients visiting nimbus motors and about 4-6 cars sold every day. With the addition of credit facilities such as EMI options, and overdrafts, buying cars has become much easier for the lower income groups, Nimbus has noticed an increasing demand for some of the low priced cars but a decreasing demand for the cars in the higher price groups, this has led to an intervention with the cash conversion cycle, thus leading to a liquidity crisis. With the addition of credit facilities such as EMI options, and overdrafts, buying cars has become much easier for the lower income groups and this has resulted in an increasing trend of sales but the no. of cars sold on cash is decreasing because of the EMI options which have led Nimbus into a liquidity crisis. This essay aims to investigate the strategies that can be used by Nimbus Hyundai to increase their cash flow in the coming financial year.

Theoretical Framework: With the help of the market segmentation tool we would like to deduce where nimbus motors stands in comparison with its competitors. Analysis of various means by which the company can increase its cash flow will help us deduce the best way to increase our cash flow.

Areas from the syllabus to be covered:

1.3 Organizational Objectives: SWOT Analysis.

3.1 Sources of Finance: To find sources of finance from external sources for the business to increase its cash flow.

3.4 Final Accounts: Analyzing and using the financial accounts of nimbus.

#3.6 profitability and Ratio Analysis: I will use ratio's to get a clear picture of the current liquidity status of nimbus.

Methodology

Primary Research: I will conduct a questionnaire, to gather information on increasing demand for some cars whilst decreasing demand for others, which is leading to cash

flow problems in the company. I will Interview the owner of Nimbus Hyundai to get an overview of the business and the current cash flow problems pertaining in the organization. To get a clear picture of the current cash flow level and the liquid crisis, I will be interviewing the finance head. A survey would be conducted to understand the consumer spending patterns and their mindset while buying a car.

Secondary Research: Analysis of the financial statements of nimbus motors ltd. Such as P&L account and balance sheet to calculate profitability and liquidity ratios in order to get a clearer picture of the cash flow crisis.

ANTICIPATED DIFFICULTIES	POSSIBLE SOLUTIONS
It would be hard to get the exact financial forecasts for the quantitative analysis as nimbus motors ltd. may refuse to disclose their financial records due to privacy concerns.	Convince the director that the documents are solely used for the project purpose and will enjoy complete secrecy.
Questionnaires too specific, they are not very informative	Try to ask many different types of questions.
Not much information as only a questionnaire is used.	I will try other secondary data to provide the information necessary for my project.

Action Plan

Date	Task	Modification
4.14.2015	Choosing a topic	4.20.2015

5.4.2015	Research proposal submitted.	5.15.2015
5.28.2015	Write interview question	6.14.2015
6.14.2015	Review companies documents	6.22.2015

Executive Summary

Nimbus motors main aim is to be the leader among its competitors and a major part in fulfilling this goal is played by proper cash flow management. Effective cash flow management is a challenge for nimbus. This case study analyses how effective the cash flow management process at nimbus motors ltd. is.

Research Question

What measures can nimbus motors take to improve its cash flow in the coming financial year?

Method

This study initially consists of a research proposal, which states the rationale, theoretical framework, areas of the syllabus covered, methodology used and the anticipated difficulties in answering the research question. The Primary research consists of an Interview with the owner and the financial head, a questionnaire, and a survey. Secondary research consisting of the cash flow statement, operating statement, and the balance sheet of nimbus motors Ltd. to analyze the cash flow problem I will be using the SWOT analysis tool.

Main Findings

- Smooth transaction of credit and debt.
- Delivery order by bank.

- Inventory management.
- Product contribution.

Recommendation

- Not granting credit without a reference
- Selecting a strong cash management bank
- Proper fulfillment of our customers' orders is most important.
- Customers are often given 30 days from the date of the invoice in which to pay, this can be reduced as per our convenience.

Introduction

Nimbus motors ltd. is a Hyundai car dealing company, it functions in the other sectors such as car servicing, providing accessories, sale and purchase of new as well as second hand cars. Nimbus motors has grown many folds with respect to car sales, service as well as sale of spare parts. It has always set new benchmarks in the sales, spares and service sectors. The best and efficient manpower retention is associated with Nimbus motors as the employees and workers are with the organization; right from the day the company was started. This has resulted into the customers showing satisfaction at the maximum level, manpower is the biggest asset for Nimbus motors. On an average there are 15-20 clients visiting nimbus motors and about 4-6 cars sold every day. With the addition of credit facilities such as EMI options, and overdrafts, buying cars has become much easier for the lower income groups, Nimbus has noticed an increasing demand for some of the low priced cars but a decreasing demand for the cars in the higher price groups, this has led to an intervention with the cash conversion cycle, thus leading to a liquidity crisis. With the addition of credit facilities such as EMI options, and overdrafts, buying cars has become much easier for the lower income groups and this has resulted in an increasing trend of sales but the no. of cars sold on cash is decreasing because of the EMI options which have led Nimbus into a liquidity crisis. This essay aims to investigate the strategies that can be used by Nimbus Hyundai to increase their cash flow in the coming financial year.

The efficiency and commitment of Nimbus motors can be confirmed by the number of Awards which the company boasts of. The first award won by nimbus was the Best Seller award in 2003 from Hyundai. Accessory Top Notcher Award in 2005, selected for Best Seller award in 2006, Best performer award in 2007, Best parts sales and customer service, Best performer award in 2008 for Best parts sales and accessory sales, and National volume Best Seller award in 2010.

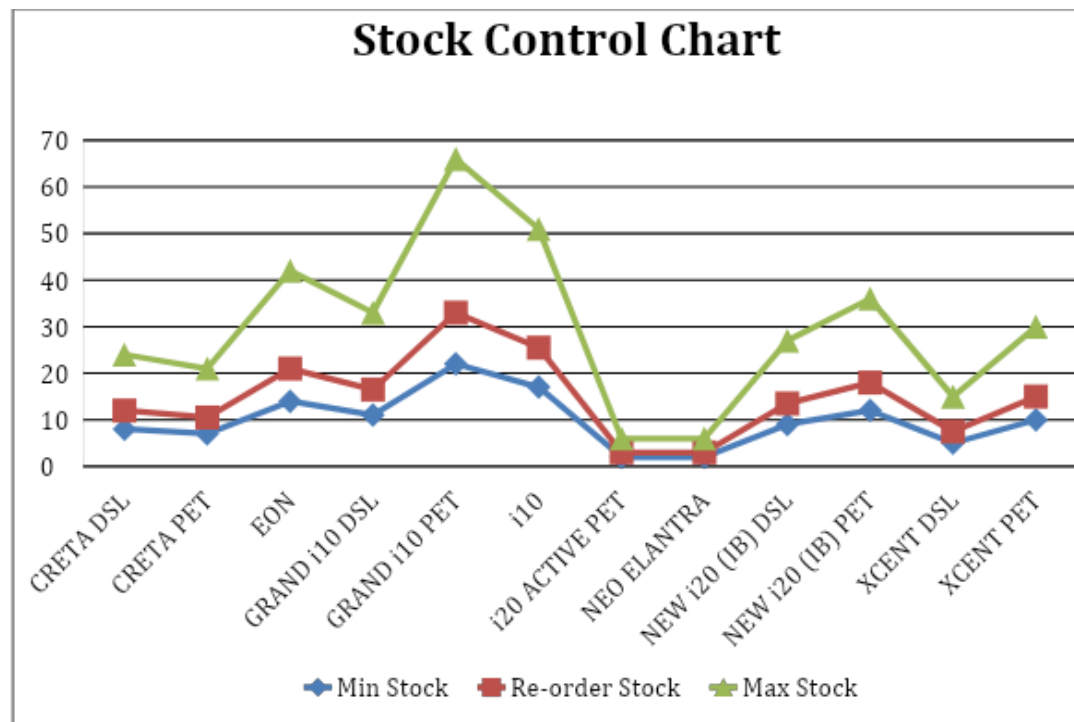
Objective

The main motive of nimbus motors is to achieve customer satisfaction and become the first choice of people who would like to drive and prefer quality service. Keeping in mind this and in order to achieve an increased cash flow Nimbus Motors aims at increasing its cash flow in the current financial year by inculcating certain good business practices which include – a smooth credit and debit cycle, Inventory management, change in delivery order by banks, product contribution, , timely and complete payment of wages and ratio analysis, etc.

Analysis and Findings

Findings

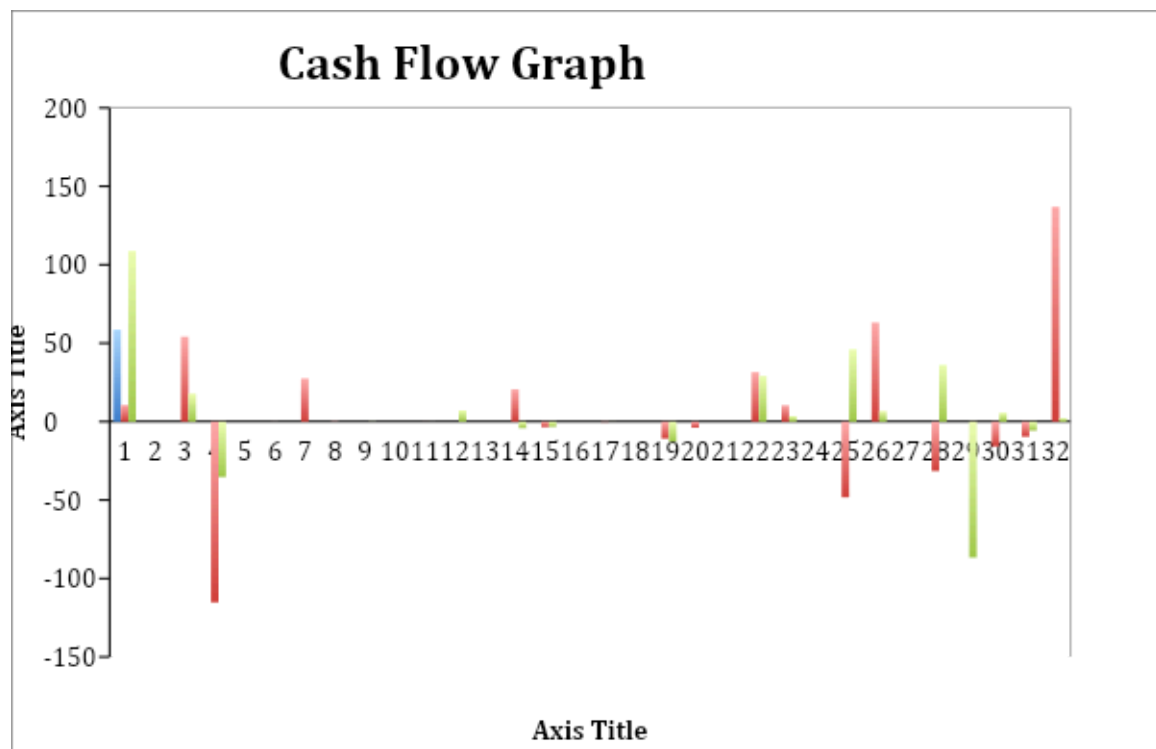
- Current credit policy: The current credit policy at nimbus offers the customers a month to pay off the money, however this limit has been violated by many customers who do not pay the money on time while other not at all paying it which has left nimbus in bad debts.
- Inventory management: Some car models are more demanded than the others. The problem here is than nimbus has a mixed variety of cars in their stock and they cheaper models tend to sell more so the company is finding it difficult to sell the SUV's or other high priced cars, this leads to limited funds with the company to re-order the stock thus creating a problem for them to place orders for cars that are more in demand.



These are the standard stock levels that have been set by nimbus however they have not been able to maintain this stock cycle due to the liquidity crisis.

- Delivery order by banks (DO): When an individual buys a car on loan the firm cannot deliver the car before it gets a delivery order from the bank. The DO is generally issued between 2-3 days after consumers apply for the loan, banks issue the DO so the firm has to give the car, however the bank pays the firm in a period of 7-10 days so this is another problem contributing to the liquidity crisis
- Contribution analysis: As I mentioned earlier nimbus operates in various sectors such as selling cars, accessories, and workshops, it has noticed that the contribution from sale of cars has been much higher than from the sale of accessories and workshops. Therefore, the profit that nimbus expected is not being made and it has not been even able to cover the costs of the accessories that they bought.

Analysis and Evaluation



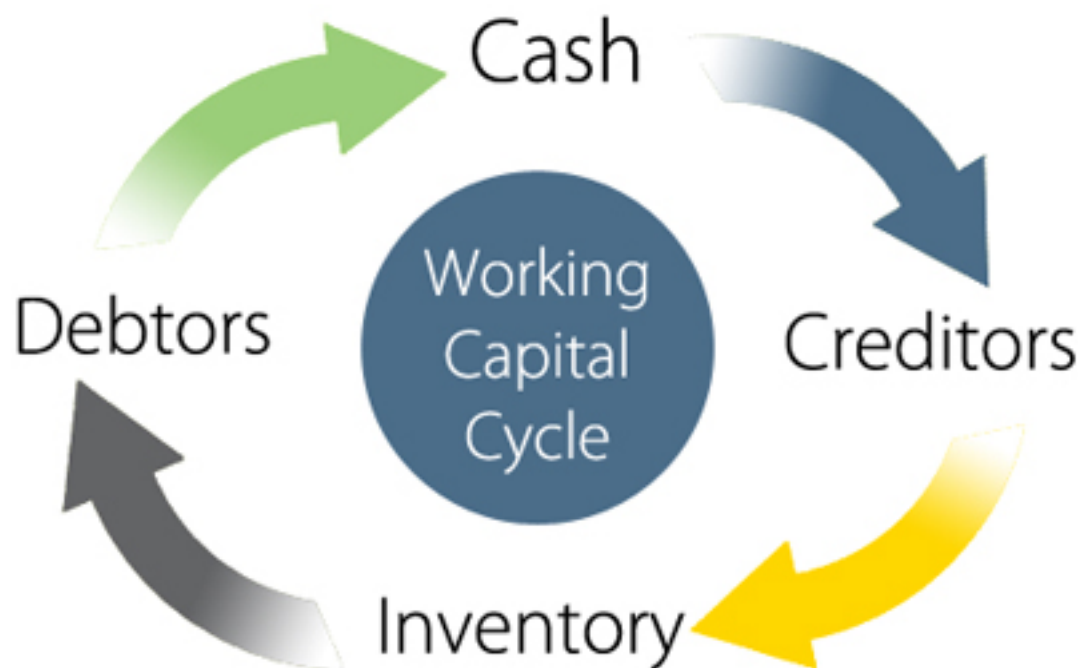
The graph of the cash flow statement given above covers the financial year 2012 to 2015 and includes the following category: interest from bank, dividend received,

finance cost, interest expenditures, wealth tax, inventories, short term loans and advances trade receivable, liabilities provisions and bad debts written off.

Cash flow is the flow of money in and out of the business. Nimbus Motors uses cash to purchase goods or services for sales to its customers and collect the cash from sales of its goods. Cash inflow includes cash collected from sales to customers, collections on accounts receivable and the proceeds from a bank loan or other type of loans. Cash out flow are the movement of money out from the business. It includes paying expenses, purchasing parts, accessories and new cars and paying back installments of term loan. Nimbus Motors can improve its cash flow by accelerating the cash inflows –the flow of money into the company.

- Decreasing the cash outflows –the flow of money out of the company.
- Minimizing Expenses – the amount of paying for operational costs of the company.

Cash inflow will improve Nimbus Motors overall cash flow. Accelerating cash inflows allows the company to pay its own bills and other obligations on time. For improving cash flow Nimbus should take the following steps:



- Credit policy: In order to reduce bad debts Nimbus should offer credit options only to the owner's acquaintances or to trusted and loyal customers whom they have dealt with in the past. The company should only offer a credit period

of 15 days in order to increase its cash flow. However, this could lead to a loss of certain potential customers who were willing to buy the car on credit.

- Inventory management: To manage the inventories effectively they should increase the number of stock cycles and devise a method in which they place an order 10-12 before they feel that inventories might run out. They should only order the cars that are more demanded and should not order cars that are less demanded until their stock is over. However, there might be a shortage of supply when they do not get their stock on time. E.g. there might be a flood and the route to Noida might be blocked so the stock cannot be delivered and thus customers will have to wait and some customers might not be willing to wait so they may lose the customers.
- Delivery order: a mutual decision must be made with the banks that the money after delivery order has been issued by them should reach nimbus within 2 days so that can use that money from banks instantly. However if the banks do not agree to this the company should opt for some other bank.
- Contribution analysis: In order to increase the sale of accessories nimbus should offer discount coupons to customers who have bought cars so that they come back and get their car serviced from nimbus or buy accessories from nimbus this will keep the customer tied to nimbus and prevent him/her from going to any other dealer.

Ratios

To measure and understand the current liquidity status at nimbus I would like to use liquidity ratios:

- Current Ratio = Current Assets/ Current liabilities
$$\frac{364,348,527}{302,993,112} = 1.202$$

A current ratio of 1.20 means that for every 1 rupee that the firm owes to its creditors; it is owed 1.2 by its debtors. The firm is at a little risk as it might not be able to pay off all its debts and operate at the same time in a crisis situation.

- Acid Test Ratio = Current Assets – stock/ Current liabilities
$$\frac{90,950,795}{302,993,112} = 0.300$$

It is a measure of a company's ability to meet its short-term obligations using its most liquid assets (near cash or quick assets).

Normal value: no less than 1. An acid test ratio of 0.300 means that the company cannot pay of its liabilities with quick assets such as cash, bank balance, etc.

- Creditors Day = $\frac{\text{Total Creditors} \times 365}{\text{Annual Sales}} = 6.36$

A creditor's day ratio of 6.36 means that on an average it takes the company 6 days to get paid from its debtors. This is a very low value and thus the company has a risk of going bankrupt in a risky situation.

- Debtors Day = $\frac{\text{Total Debtors} \times 365}{\text{Annual Sales}} = 7.1$

A debtors day ratios of 7.1 means that on an average it take the company around 7 days to get pay of all its creditors. This is a very low value for the debtor's day ratio and thus nimbus has a chance of going bankrupt in a crisis situation.

SWOT Analysis

Strength

- Various products are experiencing high market demand. E.g. Creta+ (SUV), I20 Active, etc.
- Low administrative cost and selling cost.
- Efficient and productive labor force.
- Rise in the working and middle class income.
- Efficient and qualified managers.

Weakness

- Lesser car models as compared to other automotive manufacturers.
- High interest rate and overhead level.
- High Inventory costs of some less demanded car models. E.g. EON, Elantra, etc.
- Lesser sales promotion activities as compared to competitors.
- -Poor credit management.
- High debtors days sales outstanding.
- Lower creditors outstanding.

Opportunities

- Growing population in country
- Focus from the government in improving the road infrastructure
- Rising living standard
- Increase in income level
- Better car technology is demanded
- Rising rural demand
- Having a car is status symbol
- Women drivers have increased

Threats

- Higher EMI's on auto-loans.
- High petrol, diesel and CNG costs.
- Smaller players that do not fulfill international standards.
- Increased congestion in urban areas
- High Inflation rate.
- Lower GDP rate

Conclusion

In Northern India Nimbus motors has gained a name and fame in the field of car sales, services and spare parts. It is a non-government Indian company limited by shares. To meet the demand of the customer and for improving the cash inflow the company has established four service outlets and the infrastructure is of best standards in the industry keeping pace with the ever demanding expectation of the customer. For improving its cash flow in the coming financial year, Nimbus motors has shifted its main mechanical shop to a larger space with the capacity of handling 100 cars a day and establish a big stockyard with a parking capacity of 400 cars. For improving its cash inflow nimbus motors has taken many successful measures, which are closely linked with the management of cash inflows, which can be increased by increasing the assets and decreasing the liabilities.

Recommendation

Nimbus motors should sell lesser products on credit basis and should only give it to trusted customers who adhere to time limitations, level and keeping a lesser stock of the less demanded cars whilst keeping a higher stock of the more demanded cars will

both help Nimbus increase its cash flow not only in the short-term but will also help Nimbus sustain proper cash flow management. Proper Inventory management will also help Nimbus improve its cash flow and boosting sales in the accessories sector will increase revenue, thus improving the cash flow in the company.

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Appendices

Appendix A.

NIMBUS MOTORS PVT. LTD.

A-109 SECTOR -5 NOIDA

PROFIT & LOSS STATEMENT FOR THE PERIOD ENDED ON 31ST MARCH, 2014

Sr. No	Particulars	Note No	Figures as at the end of current reporting period	Figures as at the end of previous reporting period
			₹	₹
I	Revenue from operations	23	1,066,107,205	1,239,389,045
II	Other Income	24	53,243,097	61,313,446
III	III. Total Revenue (I + II)		1,119,350,302	1,300,702,491
IV	Expenses:			
	Cost of materials consumed	25	1,027,605,812	1,175,228,627
	Purchase of Stock-in-Trade			
	Changes in inventories of finished goods, work-in-progress and Stock-in-Trade	26	(69,547,196)	(28,771,822)
	Employee Benefit Expense	27	56,623,467	51,417,643
	Financial Costs	28	34,255,372	30,444,539
	Depreciation and Amortization Expense	29	4,848,582	4,406,621
	Other Administrative Expenses	30	56,096,724	58,083,584
	Total Expenses (IV)		1,109,882,761	1,290,809,192
V	Profit before exceptional and extraordinary items and tax	(III - IV)	9,467,541	9,893,299
VI	Exceptional Items			
VII	Profit before extraordinary items and tax (V - VI)		9,467,541	9,893,299
VIII	Extraordinary Items-Profit on sale of Land		20,540,412	
IX	Profit before tax (VII - VIII)		30,007,953	9,893,299
X	Tax expense:			
	(1) Current tax		2,755,635	1,799,465
	(2) Deferred tax		1,010,896	972,909
XI	Profit/(Loss) from the period from continuing operations	(IX-X)	26,241,422	7,120,925
XII	Profit/(Loss) from discontinuing operations			
XIII	Tax expense of discontinuing operations			
XIV	Profit/(Loss) from Discontinuing operations (XII - XIII)		-	-
XV	Profit/(Loss) for the period (XI + XIV)		26,241,422	7,120,925
XVI	Earning per equity share:			
	(1) Basic		18	5
	(2) Diluted		18	5

Significant Accounting Policies & Notes on Financial Statements forming part of the financial Statements

1-30

This is the Profit & Loss Statement referred to in our Report of even date.

FOR M. KUMAR & ASSOCIATES
CHARTERED ACCOUNTANTS

FOR NIMBUS MOTORS PVT. LTD.

(DIRECTOR)

(DIRECTOR)

(CA. AMREESH KUMAR VERMA)

B.COM(HONS), LLB, FCA

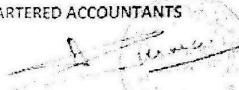
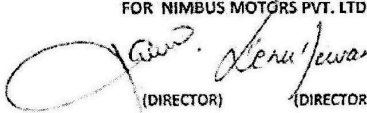
Membership No. : 075570

Firm Reg. No.:

PLACE: MERUT

DATED: 30.08.2014

A-109 SECTOR -5 NOIDA
BALANCE SHEET AS AT 31ST MARCH, 2014

Particulars	Note No	Figures as at the end of current reporting period ₹	Figures as at the end of previous reporting period ₹
I. EQUITY AND LIABILITIES		20,000,000	20,000,000
(1) Shareholder's Funds			
(a) Share Capital	2	15,405,870	14,500,000
(b) Reserves and Surplus	3	142,014,711	108,979,264
(c) Money received against share warrants			
(2) Share Application money pending allotment			200,000
(3) Non-Current Liabilities			
(a) Long Term Borrowings	4	35,987,511	42,334,119
(b) Deferred Tax Liabilities (Net)	5	9,708,665	8,697,769
(c) Other Long Term Liabilities	6		
(d) Long Term Provisions	7		
(4) Current Liabilities			
(a) Short Term Borrowings	8	273,981,392	235,141,021
(b) Trade Payables	9	18,586,591	17,547,733
(c) Other Current Liabilities	10	3,617,363	4,960,267
(d) Short Term Provisions	11	6,807,766	5,618,066
Total Equity & Liabilities		506,109,869	437,978,239
II. ASSETS			
(1) Non-Current Assets			
(a) Fixed Assets	12		
(i) Gross Block		176,673,480	169,874,892
(ii) Depreciation		35,412,138	30,563,557
(iii) Net Block		141,261,341	139,311,335
(b) Non-current investments	13	500,000	500,000
(c) Deferred tax assets (net)	14	-	-
(d) Long term loans and advances	15	-	-
(e) Other non-current assets	16	-	-
(2) Current Assets			
(a) Current investments	17		
(b) Inventories	18	273,397,732	203,850,536
(c) Trade receivables	19	20,740,386	44,233,909
(d) Cash and cash equivalents	20	35,688,568	3,019,156
(e) Short-term loans and advances	21	34,521,841	47,063,303
(f) Other current assets	22		
Total Assets		506,109,869	437,978,239
Significant Accounting Policies & Notes on Financial Statements forming part of the financial Statements		1-30	0
This is the Balance Sheet referred to in our Report of even date.			
FOR U. KUMAR & ASSOCIATES CHARTERED ACCOUNTANTS		FOR NIMBUS MOTORS PVT. LTD.	
			
(CA. ANIMESH KUMAR VERMA) B.COM(HONS), LLB, FCA Membership No. : 075570 Firm Reg. No.:		(DIRECTOR) (DIRECTOR)	
		PLACE: MEERUT DATED: 30.08.2014	

NIMBUS MOTORS PVT. LTD.

A-109 SECTOR -5 NOIDA

PROVISIONAL PROFIT & LOSS STATEMENT FOR THE PERIOD ENDED ON 31ST MARCH, 2015

Sr.	Particulars	Note No	Figures as at the end of current reporting period	Figures as at the end of previous reporting period
	Revenue from operations	23	1,066,690,600	1,066,107,205
	Other Income	24	35,990,686	53,243,307
	III. Total Revenue (I + II)		1,101,789,346	1,119,350,302
	Expenses:			
	Cost of materials consumed	25	952,813,993	1,027,605,812
	Purchase of Stock-in-Trade			
	Changes in inventories of finished goods, work in progress and Stock-in-Trade	26	(17,128,560)	(68,547,188)
	Employed Benefit Expense	27	55,366,154	58,623,407
	Financial Costs	28	36,856,496	34,255,372
	Depreciation and Amortization Expense	29	5,198,582	4,848,582
	Direct Expenses			
	Other Administrative Expenses	30	60,018,946	56,036,724
	Total Expenses (IV)		1,092,123,610	1,109,882,761
	Profit before exceptional and extraordinary items and tax	(III - IV)	9,665,736	9,467,541
	Exceptional Items		-	20,540,412
	Profit before extraordinary items and tax (V - VI)		9,665,736	30,007,953
	Extraordinary Items		-	-
	Profit before tax (VII - VIII)		9,665,736	30,007,953
	Tax expense:			
	(1) Current tax		-	2,755,635
	(2) Deferred tax		-	1,010,858
	Profit/(Loss) from the period from continuing operations	(IX-X)	9,665,736	26,241,422
	Profit/(Loss) from discontinuing operations		-	-
	Tax expense of discounting operations		-	-
	Profit/(Loss) from Discontinuing operations (XII - XIII)		-	-
	Profit/(Loss) for the period (XI + XIV)		9,665,736	26,241,422
	Earning per equity share			
	(1) Basic		7	18
	(2) Diluted		7	18

Significant Accounting Policies & Notes on Financial Statements forming part of the financial Statements

1-30

This Provisional Profit & Loss A/c Is Compiled from the Books of Accounts Produced before us.

CHARTERED ACCOUNTANTS

(CA. AMBESH KUMAR VERMA)
B.COM/CA/110/07/12

[Signature]

(DIRECTOR)

(DIRECTOR)

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NIMBUS MOTORS PVT. LTD.
A-109 SECTOR-5 NOIDA
PROVISIONAL BALANCE SHEET AS AT 31ST MARCH, 2015

Particulars	Note No.	Figures as at the end of current reporting period	Figures as at the end of previous reporting period
EQUITY AND LIABILITIES	1	20,000,000	20,000,000
(1) Shareholder's Funds			
(a) Share Capital	2	15,406,870	15,406,870
(b) Reserves and Surplus	3	149,056,486	142,014,711
(c) Money received against share warrants			
(2) Non-Current Liabilities			
(a) Long Term Borrowings	4	33,755,914	35,987,511
(b) Deferred Tax Liabilities (Net)	5	9,708,665	9,708,665
(c) Other Long Term Liabilities	6	-	-
(d) Long Term Provisions	7	-	-
(e) Short Term Borrowings	8	277,187,031	273,981,592
(f) Trade Payables	9	32,103,816	18,586,591
(g) Other Current Liabilities	10	4,366,812	3,317,353
(h) Short Term Provisions	11	7,433,102	6,907,756
Total Equity & Liabilities		529,017,676	506,109,869
ASSETS			
Non-Current Assets			
(a) Fixed Assets			
(i) Gross Block	12	189,840,571	170,673,480
(ii) Depreciation		40,610,721	35,412,138
(iii) Net Block		149,029,850	141,261,342
(b) Non-current investments	13	936,692	600,000
(c) Deferred tax assets (net)	14	-	-
(d) Long term loans and advances	15	-	-
(e) Other non-current assets	16	-	-
Current Assets	17	-	-
(a) Current investments			
(b) Inventories	18	290,524,292	273,397,732
(c) Trade receivables	19	35,278,800	20,740,366
(d) Cash and cash equivalents	20	28,211,832	35,668,669
(e) Short-term loans and advances	21	25,036,210	34,521,541
Total Assets		529,017,676	506,109,868

Significant Accounting Policies & Notes on Financial Statements forming part of the financial Statements

1.30

This Provisional Balance Sheet is Compiled from the Books of Accounts Produced before us.

FOR U.KUMAR & ASSOCIATES
CHARTERED ACCOUNTANTS

FOR NIMBUS MOTORS PVT. LTD.


(SUNIL DEWAN)
DIRECTOR
DIN : 00494702

(CA) ANKUSH KUMAR VERMA)
PARTNER
Membership No. : 075570
Firm Reg. No.: 001895C

(RENU DEWAN)
DIRECTOR
DIN : 00494950

PLACE: MEERUT
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Appendix B.
Questionnaire

How many times do you visit nimbus motors?

- a. Once
- b. Twice
- c. Thrice
- d. Four times
- e. Five times

What is the average monthly income paid to the employees of Nimbus motors?

- a. Less than Rs. 10000
- b. Rs. 10000 –Rs. 20000
- c. Rs. 20000 –Rs. 30000
- d. Rs.30000 –Rs.40000
- e. Above 40000

In your opinion how can Nimbus motors increase its cash flow?

- a. By taking measure of cash flow statement
- b. By taking measure of working capital management
- c. By taking measure of ratio analysis
- d. By taking measure of trend analysis Of cash inflows and cash outflows
- e. Above all

How many cars does nimbus motors sell everyday?

- a. 1-2 cars
- b. 3-4 cars
- c. 4-5 cars
- d. 6-7 cars
- e. 8-10 cars

Has the productivity of Nimbus motors changed with the progress of time?

- a. Increased
- b. Decreased

c. Remained the same

d. Don' t know

Has the size of the working employees changed since the time Nimbus motors began?

a. Increased

b. Decreased

c. Remained the same

Does nimbus motors provide the service of credit?

a. Yes

b. No

Interview with Finance Manager

Q1 Since when has nimbus been facing a liquidity crisis?

ANS Nimbus has been facing a liquidity crisis since 2014 and the situation keeps getting worse with time.

Q2 What is the major reason according to you that contributes to the liquidity crisis?

ANS One of the major reasons we found out from our analysis was out of sync credit terms, the current credit policy is a 30 day maximum policy and the credit option is offered, however as we notice an increasing number of bad debts being face by the company the policy will be changed soon

Q3 What are some other reasons that contribute to the liquidity crisis?

ANS Some of the other reasons are late delivery order payments from banks, improper inventory management, no or little from the accessories shop, and improper cash flow management.

Q4 Have you or anybody taken any measures to tackle the situation?

ANS We at nimbus have developed a new credit policy which will be put into practice in the coming year, this policy will ensure that the credit period is reduced and only customers who have proved to be trustworthy will be liable to it. We are hiring trained professional in finance and sales who will help us improve the cash flow at nimbus.

Q5 Where do you see nimbus a year from now?

ANS I believe that with all the measures we are taking to improve the cash flow problems, nimbus should be out of this liquidity crunch. All of us at nimbus hope to see a happy and prospering nimbus in 2016.