Assets Structure Of Chandigarh Transport Undertaking

Dr. MunishGoyal*
DeepikaAggarwal **

Abstract

Assets are the resources owned by an undertaking. They represent ownership value which can be converted into cash. Tangible assets include fixed assets and current assets. Fixed assets have a physical form and are typically bought for production and supply of goods and services and provide a long term gain to the concern. They are not essentially fixed in all senses of word. Moreover they lose value as they are used. Current assets are meant to be converted into cash and are not depreciated. They basically indicate healthy liquidity position of the undertaking. Chandigarh Transport Undertaking (CTU) being a public transport unit of Chandigarh has to invest a large amount of funds in the fixed assets and have to hold a huge inventory as a part of current assets.

Key words : Fixed assets, current assets, investment, growth rate, trend.

INTRODUCTION

Chandigarh is very well known for its design and marvelous world-class architecture. It has well connectivity of roads and it is connected to all major cities and states of India through road, air and rail. Chandigarh is served by an excellent network of roads. The main aim of CTU is to provide services to the public, suburban and adjoining states like Punjab, Haryana, Delhi, Rajasthan, Himachal Pradesh, Uttar Pradesh and Jammu and Kashmir. To coordinate with the arrival and departure time of trains, CTU buses ply to and from the railway station accordingly.CTU has a total fleet of 534 buses of which 264 are CTU buses and 270 are JnNURM buses (Semi Lower Floor AC and Non AC buses under Jawaharlal Nehru National Urban Renewal Mission Scheme) as on 31st March 2017. The undertaking is having four depots and four workshops. All four workshops and depots are well equipped with modern tools and implements.

Review of Literature

All possible information sources, research thesis, research papers, journals, articles,

* *Assistant Professor, GJIMT, Mohali*

books etc. were summarized to enrich the knowledge which covered various aspects of the transport sector. Gurkirpal (2006) attempted to study the overall performance of PRTC to analyze managerial efficiency. The parameters used to evaluate the performance of PRTC, were staff vehicle ratio, bus utilization per day, fleet utilization, effective kilometers, kilometer per liter, profit/loss etc. It was observed that PRTC had improved its performance as compared to other STUs but still, there was a lot of scope for improvement. The study concluded that many over-aged buses of PRTC earn less kilometer per day resulting in loss of revenue. The study suggested that the corporation must make full use of its available technology and also maintain a complete record of the vehicle throughout its life.Lakshumma (2008)made an attempt to study the financial performanceof Andhra Pradesh State Road Transport Corporation (APSRTC). The study was conducted for a period of eight years from 1999-2000 to 2006-2007. Financial tools like ratio analysis, comparative analysis, trend analysis were used for the analysis of financial performance. The analysis showed that the long-term financial position and liquidity position of APSRTC was not satisfactory due to various reasons like high operating cost of fleet, shortage of working capital, inability to meet interest obligations, use of obsolete vehicles and technology etc.Machhi (2011) attempted to analyze the financial performance of Gujarat State Road Transport Corporation (GSRTC). The study period was from the financial year 2002-03 till 2008-09. Various parameters used in the study were seating capacity utilization, crew utilization, fleet utilization, vehicle utilization, number of buses on road, accidents per km, earnings per km etc. The ratios used were current ratio, solvency ratios, profitability ratios etc. The study revealed that the financial position of GSRTC was not satisfactory and the corporation had not earned any profits. The study suggested that computerization should be done at depots to reduce the cost of regular staff. Aggarwal and Bhargava (2012) discussed the cost analysis of Rajasthan State Road Transport Corporation (RSRTC) and Uttar Pradesh State Road Transport Corporation (UPSRTC). The study period taken was from the financial year 2002-03 to 2008-09. The data was collected from both primary and as well as the secondary source. To study the cost analysis, common size statement and trend analysis were used. The study suggested that various cost control measures should be taken like the development of cost control techniques, economical fuel usage, increase in bus fares, outsourcing of hired buses, and reduction in the incidence of taxes.Vijayan (2012) attempted to examine the physical and financial performance of Kerala State Road Transport Corporation (KSRTC). The analysis covered ten years period from 1999-2000 to 2009-2010. The data was collected from both primary and secondary sources. The statistical techniques used for analysis were ratio analysis and percentages. The physical parameters used were bus staff ratio, fleet utilization, vehicle utilization whereas financial parameters used were revenue per effective kilometer, cost per effective kilometer, net profit or loss. The physical analysis showed that the number of passengers carried by KSRTC had increased but the income realized was not sufficient to meet the expenses. The number of over-aged buses, buses in reserve and repair were more which decreased the efficiency of the concern. The financial analysis showed that the

corporation was able to make profits only during the first two years of its functioning but after that, it turned into continuous losses.

Research Methodology

For the purpose of study, data was collected from the secondary source. Annual reports of CTU from the financial years 2011-12 till 2016-17 were used for the study. Various research journals, website of CTU, newspapers, manualsetc were also referred for the research purpose. The data was further classified, tabulated and analysis was done.

Objectives of the Study

1. To compare the composition of fixed assets and current assets in CTU.
2. To study the percentage share of fixed assets and current assets in total assets in CTU.
3. To offer suggestions on the basis of findings for the efficient working of CTU.

Fixed Assets and Current Assets

Fixed assets are the long term tangible part of the property that an enterprise owns and uses for the generation of the income. It comprise an important part of a firm's capital and are commonly termed as capital assets. The financial stability and solvency of any organization depend upon the quantum of assets it holds. CTU operates a mixed fleet of AC, non AC, mini buses and JnNURMbuses (low floor buses). Apart from the investment in the vehicles, there are other fixed assets also like land and building, plant and machinery, furniture and computers. CTU has to spend a lot in the maintenanc of the infrastructure of head office, interstate bus terminals, depots and workshops.

Current assets are very important which serves as a significant factor of a concern liquidity.Major components of current assets in CTU are inventories, advances, debtors, cash in hand and other current assets. CTU has to hold a huge stock of inventories on account of spare parts for the reconditioning of buses.

Analysis of Fixed Assets

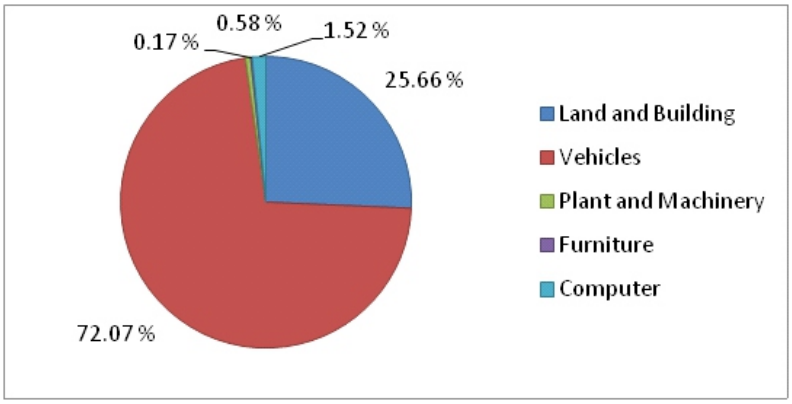
Table 1.1 and Chart 1.1 depictsthe composition of fixed assets of CTU from the financial year 2011-12 to 2016-17. Data showed that there was a significant increase in the fixed assets from Rs. 12569.31 lacs in 2011-12 to Rs. 20352.79 lacs in 2016-17. CAGR of 10.12% also revealed such remarkable increase. Vehicles contributed maximum share in the total fixed assets of CTU which was around 72.07% of total fixed assets. Such huge share from vehicles was due to the fact that buses are one of the important items of a transport undertaking. Share of land and building was also significant around 25.66% followed by computers around 1.52% during the whole period. The contribution from components of fixed assets namely plant and machinery and furniture was marginal about 0.58% and 0.17% respectively. From the financial year 2014-15 there was a sharp increase in vehicles due to the purchase of new CTU buses and buses under the JnNURMscheme. Computers also recorded a significant increase from Rs.162.37 lacs during the financial year 2011-12 lacs to Rs.364.18 lacs at the end of the study period. This was due to automation in technology followed in CTU.

Table 1.1: Analysis of Fixed Assets (In Lacs Rs.)

Years	Land And Building Rs. in (Lacs)	Vehicles Rs. in (Lacs)	Plant And Machinery Rs. in	Furniture Rs. in (Lacs)	Computer Rs. in (Lacs)	Total Fixed Assets Rs. in (Lacs)
2011-12	3509.81 (27.91)	8791.34 (70)	88.82 (0.69)	16.97 (0.12)	162.37 (1.28)	12569.31 (100)
2012-13	3605.65 (29.18)	8467.36 (68.54)	88.82 (0.74)	18.84 (0.15)	172.37 (1.39)	12353.04 (100)
2013-14	3676.19 (30.32)	8156.43 (67.23))	88.82 (0.73)	21.84 (0.18)	187.12 (1.54)	12130.4 (100)
2014-15	3867.75 (24.62)	11485.68 (73.14)	88.82 (0.56)	26.76 (0.17)	237.12 (1.51)	15706.13 (100)
2015-16	4249.37 (23.19)	13688.02 (74.73)	88.82 (0.48)	32.13 (0.17)	262.12 (1.43)	18320.46 (100)
2016-17	4550.38 (22.35)	15313.50	88.82 (0.45)	35.91 (0.18)	364.18 (1.78)	20352.79
Total (%age of Total)	23459.15 (25.66)	65902.33 (72.07)	532.92 (0.58)	152.45 (0.17)	1385.28 (1.52)	91432.13 (100)
CAGR of Fixed Assets	10.12%					

Source: annual audited reports of CTU from 2011-12 to 2016-17

Chart 1.1: Relative Share of Fixed Assets in CTU



Source: annual audited reports of CTU from 2011-12 to 2016-17

Growth Rate of Investment in Fixed Assets

Table 1.2depicts that growth rate of investment was maximum in the computer around 124.29% during the study period followed by furniture (111.60%). The growth rate of investment in vehicles was 74.18% and in land and building was 29.64%. The reason behind such high growth rate in computers was due to huge amount invested on computerization of the whole system like online ticketing system, distribution of duties to staff, computation of salaries and overtime, daily cash maintenance, GPS in buses, the introduction of new (updated) computers, purchase of printers and servers etc.

Table 1.2: Growth Rate of Investment in Fixed Assets (%)

Fixed Assets	Growth Rate of Investment (in %)
Land and Building	29.64
Vehicles	74.18
Furniture	111.60
Computer	124.29

Source: annual audited reports of CTU from 2011-12 to 2016-17

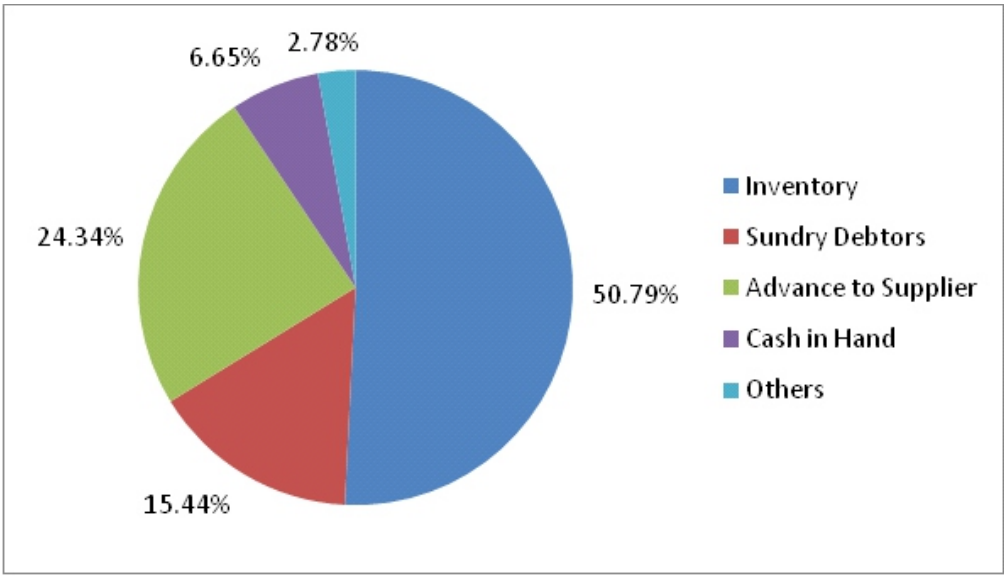
Analysis of Current Assets

Major components of current assets in CTU are inventories, advances, debtors, cash in hand and other current assets (comprising prepaid expense and rent recoverable etc).Table 1.3 depicts the composition of current assets of CTU from 2011-12 to 2016-17 whereas Chart 1.2 indicates the composition of such current assets based on average from 2011-12 to 2016-17. The data depicted that inventory contributed the highest in the current assets, the average of which was around 50.79% of total current assets during the whole study period. CTU had to maintain adequate stock of inventory kept in the form of petrol, lubricants, tyres, spare-parts etc required for the upkeep and reconditioning of buses. Advances were also considerable around 24.34% followed by sundry debtors which were 15.44%. The other componentsnamely cash and other current assets were around 6.65% and 2.78% respectively. During some years of study, there werefewer advances as due to insufficient funds there was not enough budget for giving advances. Debtors mainly include Pepsu, Haryana, Punjab and Himachal roadways that purchase spare parts from CTU.

Table 1.3: Composition of Current Assets (In Lacs Rs.)

Particulars	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	Total (%age of Total)
Inventory Rs. in (Lacs)	415.95 (56.07)	621.41 (46.27)	624.94 (44.75)	544.72 (37.06)	560.70 (61.27)	676.66 (73.94)	3444.38 (50.79)
Sundry Debtors Rs. in (Lacs)	155.14 (20.91)	162.37 (12.09)	150.98 (10.81)	258.30 (17.59)	165.88 (18.12)	154.46 (16.87)	1047.13 (15.44)
Advance to Supplier Rs. in (Lacs)	3.5 (.47)	435.62 (32.44)	536.1 (38.39)	570.93 (38.84)	83.83 (9.16)	21.15 (2.32)	1651.13 (24.34)
Cash in Hand Rs. in (Lacs)	123.45 (16.64)	62.81 (4.69)	66.63 (4.79)	79.74 (5.42)	79.74 (8.71)	38.54 (4.22)	450.91 (6.65)
Others Rs. in (Lacs)	43.77 (5.91)	60.59 (4.51)	17.69 (1.26)	16.06 (1.09)	26.15 (2.74)	24.26 (2.65)	188.52 (2.78)
Total Current Assets Rs. in (Lacs)	741.81 (100)	1342.8 (100)	1396.34 (100)	1469.75 (100)	915.1 (100)	915.07 (100)	6780.87 (100)
CAGR of Current Assets	4.29%						

Source: annual audited reports of CTU from 2011-12 to2016-17



Source: annual audited reports of CTU from 2011-12 to 2016-17

Comparison of Fixed Assets and Current Assets

Table 1.4reveals the comparative analysis of current and fixed assets of CTU. Datashowedthat the growth in fixed assets of CTU were much higher as compared to its current assets. In 2011-12 fixed assets were Rs. 12569.31 lacs which incremented by 11.09% and recorded at Rs. 20352.79by the end of the financial year 2016-17. The trend in fixed assets ranged from 96.50% (2013-14) to 161.92% (2016-17), with an average trend of 121.23%. On the other hand, current assets were fluctuating during the study period and showed negligible growth as compared to fixed assets. The average trend in current assets was 152.34%.

Table 1.4: Comparison of Fixed Assets and Current Assets (In Lacs) Rs.

Years	Fixed Assets	% Change over Preceding year	Trends % (Base year 2011-12)	Current Assets	% Change over Preceding year	Trends % (Base year 2011-12)
2011-12	12569.31	-----	100	741.81	-----	100
2012-13	12353.04	-1.72	98.27	1342.8	81.01	181.01
2013-14	12130.4	-1.80	96.50	1396.34	3.98	188.23
2014-15	15706.13	29.47	124.95	1469.75	5.25	198.13
2015-16	18320.46	16.64	145.75	915.1	-37.73	123.36
2016-17	20352.79	11.09	161.92	915.07	-0.0032	123.35
Average	15238.69	----	121.23	1130.14	----	152.34

Source: annual audited reports of CTU from 2011-12 to 2016-17

Percentage Share of Fixed Assets and Current Assets in Total Assets

Table 1.5 depicts the percentage share of fixed assets and current assets in total assets of CTU during the study period. It also indicated the proportion of fixed assets to current assets. In the financial year, 2011-12 total assets were Rs.13311.12 lacs out of which fixed assets share was 94.43% and current assets share was only 5.57%. Hence, the fixed-current assets ratio was 16.95. During the year 2012-13 and 2013-14 proportion of current assets improved a little but that also not up to a satisfactory mark, making a decrement in fixed-current assets ratio to 8.68 in the financial year 2013-14. The table revealed that at the end of study period fixed assets position improved (95.7%) but currents assets

decremented further (4.30), thus making fixed- current assets ratio to be 22.25. The declining share of current assets position, witnessed negative working capital. The table also depicted that during the whole study period percentage share of fixed assets was 92.78% of average total assets whereas, that of current assets was just 7.21% of average total assets.

Table 1.5: Percentage Share of Fixed Assets and Current Assets in Total Assets

Years	Total Assets (In Rs. lacs)	Percentage Share of Fixed Assets	Percentage Share of Current Assets	Fixed Assets to Current Assets Ratio
2011-12	13311.12	94.43	5.57	16.95
2012-13	13695.84	90.2	9.80	9.20
2013-14	13526.74	89.67	10.33	8.68
2014-15	17175.88	91.45	8.55	10.69
2015-16	19235.56	95.25	4.75	20.05
2016-17	21267.86	95.7	4.30	22.25
Average	158130.6	92.78	7.21	---

Source: annual audited reports of CTU from 2011-12 to 2016-17

Average Structure of Total Assets in CTU

Table 1.6 reveals the composition of all the assets of CTU based on their average values from 2004-05 to 2016-17. Data indicated that during the study period average investment in fixed assets was Rs. 11,118.93 lacs as compared to current assets which were just Rs. 1,044.93 lacs. The concern has to keep a large stock of spare parts, lubricants, tyres/tubes, batteries etc. for the upkeep and maintenance of vehicles. Hence, among the current assets, the major investment was in inventory Rs. 530.67 lacs followed by advances and sundry debtors. Within fixed assets, vehicles form the major component of investment followed by land and building and computers. On average Rs. 7670.37 lacs were invested in vehicles which form the leading item of fixed assets. The next important expansion took place in land and building where Rs. 3202.56 lacs were invested on an average during the study period. As a large number of operations were carried online, so computers also emerged as a significant item of investment where Rs.

138.97 lacs were invested on an average. Investment in plant and machinery was around Rs. 90.74 lacs and in furniture Rs. 16.29 lacs on an average. The position of various assets indicated that inventory in current assets whereas vehicles and land and building in fixed assets covered the maximum share

Table 1.6: Average Structure of Total Assets in CTU

Sr. No.	Particulars	Average Rs. in (Lacs)
1.	Inventory	574.06
2.	Sundry Debtors	174.52
3.	Advance to supplier	275.18
4.	Cash in Hand	75.15
5.	Others Current Assets	31.42
6.	Land and Building	3909.85
7.	Vehicles	10983.72
8.	Plant and Machinery	88.82
9.	Furniture	25.40
10.	Computer	230.88
	Current Assets (1+2+3+4+5)	1130.33
	Fixed Assets (6+7+8+9+10)	15238.67

Source: annual audited reports of CTU from 2004-05 to 2016-17

Findings and Suggestions

1. It was depicted that the major contribution was from vehicles around 72.07% of total fixed assets followed by land and building (25.66%) and computers (1.52%). The other components of fixed assets namely plant and machinery and furniture contributed around 0.58% and 0.17% respectively. No doubt, the values of computers, plant and machinery and furniture were considerable to its amount but were not much noteworthy in terms of share in total fixed assets.
2. The growth rate of investment wasmaximum in the computer. The reason behind such high growth in computers was due to automation of technology in CTU to a large extent.
3. The relative proportion of fixed assets and

current assets depicted that the major share of fixed assets in total assets was 92.78% and that of current assets was just 7.21% during the study period. It further depicted that the declining share of the current assets position negatively affected the working capital position of the undertaking andsignified empathically perilousliquidity situation in CTU.

4. The norms and policy of discarding the shattered buses after their life span and schedule of purchasing new buses should be regressively followed as per rules. This will reduce the need of holding a huge amount of spare parts as a part of its inventory.

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