

# **Feasibility Studies and an AR-AP Audit of a Company**

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by

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Date: April 2023



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### **DECLARATION BY STUDENT**

I hereby declare that the data presented in this Dissertation / Internship report entitled, “Feasibility Studies and an AR-AP Audit of a Company” is based on the results of investigations carried out by me in the Management Studies Discipline at the Goa Business School, Goa University under the Supervision/Mentorship of Prof. Purva Hegde Desai and the same has not been submitted elsewhere for the award of a degree or diploma by me. Further, I understand that Goa University or its authorities will be not be responsible for the correctness of observations / experimental or other findings given the dissertation.

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## COMPLETION CERTIFICATE

This is to certify that the dissertation / internship report “**Feasibility Studies and an AR-AP Audit of a Company**” is a bonafide work carried out by **Mr. Anson Joseph Dias** under my supervision/mentorship in partial fulfilment of the requirements for the award of the degree of **Master of Business Administration** in the Management Studies Discipline at the Goa Business School, Goa University.



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Date: 28<sup>th</sup> April 2023



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### INTERNSHIP CERTIFICATE

This is to certify that Mr. Anson Joseph Dias, student of the Goa Business School, undergoing Master's of Business Administration (MBA) in Finance has successfully completed Internship between 1<sup>st</sup> March 2023 to 26<sup>th</sup> April 2023 at Mangal Analytics and Research Consulting Private Limited. He actively participated in the project execution during the period of internship and learned the skills needed for Projects in Market Research Feasibility and Financial Analysis.

Mr. Ashutosh Kharangate  
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Date: 26<sup>th</sup> April 2023



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## **ACKNOWLEDGEMENT**

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Firstly, I would like to thank the Faculty of the Goa Business School, Goa University for giving us this opportunity as part of our curriculum to gain some vital industrial experience.

I would also like to mention a word of appreciation to our Class Coordinator, Dr. Priyanka Naik who helped me get this Internship at MARC and my Mentor, Prof. Purva Hegde Desai for all her guidance during the Internship and also in preparation of this Final Internship Report.

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## **EXECUTIVE SUMMARY**

This report has been prepared based on the projects undertaken by me at Mangal Analytics and Research Consulting Panjim during my eight weeks of Final Internship.

The team at MARC Panjim comprises of professionals that cater to needs of clients who are based in Goa as well as from other states and even different countries having businesses in diverse industries and catering to a wide range of customers. Client expectations are met with utmost care by interactions with them and understanding their needs so as to undertake the projects which will assist them to set up their new business from scratch or help their existing businesses grow further by offering guidance backed by research.

During my Internship I was part of various teams that were working on different projects for numerous clients some of which were individuals and others, organizations.

The projects I worked on were as follows:

### **Project 1:**

A study on the Agriculture sector in India was undertaken with a specific focus on the state of Tamil Nadu which had a newly formed District, so as to evaluate and highlight the market potential for growing agricultural produce and using the Marketable Surplus either for direct exports or processing it and deriving Value-Added products from them for marketing it in the domestic and international markets. This report was then sent to the concerned Government agency who will now look after its implementation.

### **Project 2:**

An evaluation of the Defence sector of USA, Canada and Israel and the already existing Venture Capitalists in the defence sector so as to help a client prepare a Brochure for their prospective Venture Capital Fund which aimed at attracting potential investments which would then be channelized into startups that cater to defence related activities.

### **Project 3:**

An overview of the Global and Indian Electronics Manufacturing Services (EMS) sector and highlighting its future growth potential and also explaining the various existing schemes by the Government of India that promote and support manufacturing of electronic items and electrical components.

### **Project 4:**

An Accounts Receivable - Accounts Payable (AR-AP) Audit that we conducted on two hotels as per the requirements of the Principal owners of the same who had assigned an Agency to look after the management and carrying out of business operations.

## **Brief Profile of Mangal Analytics and Research Consulting Pvt. Ltd.**

MARC is a business consulting firm engaged in the business of Mergers and Acquisitions Advisory, Business Analytics and Research, Internationalization, and Growth Strategy. They have more than a decade of experience and expertise through their past associations with the Big 4, various reputed MNCs, and a multi-talented and skilled team. This enables MARC to offer their clients customized and timebound solutions to complex business problems through research and analytical insights.

At MARC, they help all their stakeholders in discovering the power and importance of combining market research and data analytics to achieve significant improvements in efficiency and achieve scale. This results in the ability to seize opportunities and make informed decisions for expansion and growth. MARC has proven themselves in areas of mergers and acquisitions, market research, and business analytics for Investment Bankers, Investors, Management Consulting Firms, and many Small and Medium-sized businesses in various industries across the globe. MARC aims at partnering with their clients to help them unlock their true potential and assist them to grow strategically and achieve unprecedented levels of success in their business.

### **❖ Vision Statement**

We aim to create an ecosystem of financial awareness and sound fundamental business management knowledge, the resultant effect of which shall be an improved economy.

### **❖ Mission Statement**

To partner with our clients, at all stages of business, to deliver excellence by helping to start wisely, grow strappingly, and achieve unprecedented levels of profitability.

### **❖ Core Values**

- Integrity
- Commitment to Excellence
- Consumer focus
- Accountability
- Inclusiveness

### **❖ Areas Of Services Provided**

MARC provides solutions across five major service verticals:

1. Market research solutions and Data Analytics
2. Growth Strategy
3. Mergers and Acquisitions
4. Internationalisation
5. Global Business Analytics and Research



### ❖ **Locations**

MARC conducts its operations from its 8 offices located at key destinations – Kolkata, Mumbai, Kochi, Indore, Ahmedabad, Agartala and Pune. MARC is headquartered in Goa, a western state in India. MARC has recently formed MARC Glocal Inc, a Delaware C Corp in the USA. MARC Glocal Inc is keen on supporting both Indian companies expanding into the US market, and US companies looking to enter India, by providing in-depth market research, financial modelling, identifying ideal local partners, and providing last mile support.

Further, MARC is also focussed on providing an outsourcing option towards due diligence, quality of earnings, cash proof analyses, financial modelling, MIS (Management Information Systems) and research support to US based consulting companies, Venture Capitalists, Private Equities, Investment Bankers and SMBs.

### ❖ **Global Presence**

Since its inception in 2010 as Mangal Advisory Services (MAS), it today has a footprint across the Globe, offering a wide range of services. The company in 2015 was re-branded as MARC to showcase its enhanced portfolio of services. It has positioned itself strongly in the international market enabling Domestic and International expansions, through three key verticals namely Mergers & Acquisitions, Growth Strategies and Market Research and Project Feasibility Studies.

MARC works with several international consultants to enable cross border trade and Internationalization. Since 2014, MARC has a tie up with a Portugal based services MNC, which is well established in other parts of Europe, Africa, and South America. This strategic alliance facilitates the growth of companies in the international markets. Similarly, MARC has strong footprints in the US, UK, Australia and other promising regions. While MARC assists companies across value chain, it has a focus on the SME sector to empower small and medium businesses with appropriate research and analytical assistance.

### ❖ **Helping SMEs grow**

MARC is one of the fastest-growing companies offering business consultancy services in India. To the MSME sector, MARC is the one research and consulting firm that partners them in all stages of business. It helps them to start well, grow strappingly to achieve unprecedented levels of profitability. With their decades worth of experience of delivering excellence and partnering success for local MSMEs, backed by a team with global consulting firm experience ensures that MSMEs achieve economic prosperity.

Having served more than 300 SMEs across the country and executed over 100 international consulting assignments, they have guided the dynamic Small and Medium Business sector by empowering small and medium businesses with appropriate research, financial and analytical assistance. MARC has also been a valuable associate to larger firms that need to execute due diligence and feasibility transactions across the globe.

## **Projects that I worked on at MARC:**

### **PROJECT - 1**

#### **Topic:**

An assessment of the Market Potential for Agricultural crops and their Value-Added products in a district of Tamil Nadu, a southern state of India.

#### **1.1 Project Objectives:**

- To highlight the potential for growing agricultural crops.
- Calculation of Marketable Surplus for each crop.
- Finding out Value-added products that can be derived from the crop and marketed.
- Conducting a study on existing schemes for marketing of agricultural produce.

#### **1.2 Introduction:**

India is one of the major agriculture producers in the world. Agriculture and other allied activities are a major source of livelihood for more than half of India's total population. Agriculture also contributes significantly to India's Gross Domestic Product. India currently ranks first in the world having the highest net cropped area. Along with domestic consumption, a significant amount of surplus produce is exported to countries all across the world which are reliant on India for their food supplies.

Bestowed with numerous Agro-geo climatic zones, the southern state of India, Tamil Nadu has a strong presence in most of the Agro and Food processing sectors in India. The state of Tamil Nadu has abundant agricultural resources, a growing demand potential and excellent access to national and international markets through exports. Agriculture in Tamil Nadu not only contributes to the state's economy but also to India's agricultural output as a whole.

#### **1.3 Literature Review:**

1) (Tanvi Deshpande, 2017) in her paper has highlighted how the agriculture sector employs nearly half of the workforce in India and its contribution to the India's GDP. She also talks about the state of Agriculture in India and the factors that it is dependent on, which includes availability and the quality of various agricultural inputs. There is also a comparison made between the agricultural quantity produced of various crops of India and the other countries. There is also a study of data of Agricultural Trade between different countries. She also highlights the factors that have an effect on Agricultural Productivity.

2) (Ashok Gulati, A. Ganesh Kumar, Ganga Sreedhar and T. Nandakumar, 2012) in their research paper explore the possibility of inter-play between agricultural performance and malnutrition to see whether states that perform well in agricultural produce record better nutritional outcomes. They have taken up this research to study the reasons why sections of the Indian population remain undernourished despite the fact that India has a high and relatively stable overall economic growth. Their study resulted in them stating that the level of agricultural performance in India will reduce malnutrition.

**3) (Mr. M. Manida and Dr. G. Neduramam, 2020)** in their research paper have highlighted the importance of Agriculture in India. They studied the status of the Indian farming area, the different kinds of agribusiness and the significance of horticulture in India. They have also focused on Government activities and the strategies used for the improvement of farming in the Indian economy.

**4) (Dr. Vibha Dhawan, 2017)** in her paper has done research for a South Asian expert panel during the Global Forum for Food and Agriculture on the topic 'Water and Agriculture in India'. She arrived at a conclusion wherein India is currently facing a decrease in its available water resources and this has had an impact on the agriculture sector in general. If no corrective measures are taken, there could be water scarcity in the next one or two decades. She suggests that India should review its trend of producing water intensive crops and review policies regarding export of water intensive crops so as to conserve water resources.

**5) (Jacques H. Trienekens, 2011)** in his research paper has presented a framework for developing the Agricultural value-chain analysis of a country made up of three components. First being identifying the constraints for value chain upgradation such as market access restrictions and weak infrastructure. Second is the actual value addition and third being the development of the value-chain network so as to upgrade the existing value chain.

**6) (S Rengasamy, J Devavaram and T Marirajan, 2003)** in their paper have described the organization of farmer's markets initiated by the State Government of Tamil Nadu in 1999. They conducted their research in three districts and examined the impact of the markets on the most vulnerable stakeholder groups on production side: small and marginal farmers including women and on the consumption side: residents of low-income groups. They stated that the rising popularity of farmer's markets in Indian states has led to benefits for the poorest groups.

#### **1.4 Project Methodology:**

To conduct this study, statistical data was collected from Secondary sources from various websites and was then cross tabulated so as to present data in the form of tables and charts.

##### **Total Production:**

The current total agriculture produce in the given district was calculated based on the District's Statistical Handbook.

##### **Supply Chain:**

Each crop's supply chain was drawn up based on the data that was earlier collected by Primary Research.

##### **Population Data:**

The total population data was collected from the Census of 2011 as there was no census conducted in 2021 due to the pandemic.

**Domestic Consumption:**

The domestic consumption was calculated by comparing the Population of the district with its total production.

For this, the per capita consumption was taken and multiplied by the population to arrive at the Domestic Consumption of each crop.

**Marketable Surplus:**

Marketable Surplus was calculated as follows:

(Total Production) - (Domestic Consumption) - (Quantity used in the Agriculture Processing Activities) - (Post Harvest Losses)

The Marketable Surplus for each product was arrived at and was listed in the form of a table.

**Crop Wise Chapters:**

Each crop was divided into different chapters which comprised of:

- a. Crop details
- b. Quantity of Annual Production in India
- c. Quantity produced in Tamil Nadu
- d. Marketable Surplus available for the district
- e. Value Added products that can be derived from the crop

The Potential markets for each of the Crops and their Value-added products were identified based on Export-Import data available through the Ministry of Commerce website and Trade Map website which shows India's exports to foreign countries.

Each of the Value-added products were divided into the suggested Target Markets which was either Domestic selling or Exports based on the Demand Potential.

The various Marketing channels such as Direct Selling, Contract Manufacturing were suggested.

The Final Chapter of the Report includes existing Schemes and Initiatives by the Government to promote the marketing of agricultural produce in the domestic market.

The various schemes available for export of agricultural produce were also listed down and various Marketing channels were suggested.

**Data collected:**

Sources: (trademap.org), (agriexchange.apeda.gov.in), Ministry of Commerce website, etc.

- Agricultural production in India of various crops
- 5 years CAGR (Compounded Annual Growth Rate) of the Agriculture sector in India
- Amount consumed domestically and amount exported of each crop
- Quantity of each crop exported to each country overseas
- Collection of data from where all the importing countries get their agriculture produce.
- Agricultural production specifically in the state of Tamil Nadu
- How much is the domestic consumption in Tamil Nadu

- Agricultural Production in the given district of Tamil Nadu
- How much is consumed in the district itself and domestic consumption
- How much of Marketable Surplus is available
- Potential for export of this surplus that is available
- Value added products that can be derived from each product
- Export potential for each value-added product
- Currently existing Marketing Schemes for Agricultural produce

### 1.5 Research Gap:

The previous research papers were mostly based on the agriculture sector in India. Through our research, we narrowed down on the given district in the state of Tamil Nadu and all our analysis was based on that data.

### 1.6 Research Question:

What is the potential in the given district of Tamil Nadu for marketing of their surplus agricultural produce and the value-added products derived from the crops?

### 1.7 Data Analysis:

**Table showing Total area under crop for each given crop in the District.**

Sr. No.	Crop	Total Area under the Crop	Percentage Distribution of the Area
1	Paddy	46,518	34%
2	Pulses	35,257	26%
3	Millets and Other Cereals	20,220	15%
4	Mango	3,154	2%
5	Cotton	2,853	2%
6	Acid Lime	2,839	2%
7	Sugarcane	2,252	2%
8	Oil Seed	1,485	1%
9	Onion	1,391	1%
10	Banana	1,280	1%
11	Gingelly	1,018	1%
12	Amla	927	1%
13	Groundnut	818	1%
14	Others	17,320	11%
15	Coconut	N/A	N/A
16	Maize	N/A	N/A
	<b>Total Gross Cropped Area</b>	<b>1,37,332</b>	<b>100%</b>

**Table showing calculation of Marketable Surplus for each crop in the District**

Sr. No.	Crop	Production (In Lakh Kgs)	Fresh Consumption (In Lakh Kgs)	Value Addition (In Lakh Kgs)	Post-Harvest Losses (In Lakh Kgs)	Marketable Surplus* (In Lakh Kgs)
1	Lemon	748.3	8.7	0.8	57.7	681.1
2	Banana	723.4	189.6	1.5	54.8	477.6
3	Coconut	878.6	488.8	6.0	33.9	349.9
4	Cotton	12.3	-	-	1.2	11.1
5	Groundnut	8.9	5.1	-	0.5	3.3
6	Maize	769.9	0.3	-	29.9	739.7
7	Mango	494.4	24.5	-	42.2	427.7
8	Onion	353.8	162.5	-	25.7	165.6
9	Paddy	2,273.6	1,394.3	551.0	108.4	219.9
10	Sugarcane	2,960.0	2,281.3	100.0	217.0	361.8

**\*Marketable Surplus** = (Total Production) - (Domestic Consumption) - (Quantity used in the Agriculture Processing Activities) - (Post Harvest Losses)

#### **Crop Wise Chapters:**

Each crop was divided into different chapters which comprised of:

- Crop details
- Quantity of Annual Production in India
- Quantity produced in Tamil Nadu
- Marketable Surplus available for the district
- Value Added products that can be derived

### **1.8 Findings of the Research:**

The 5 chosen crops were listed down and the various value-added products were suggested based on their potential.

#### **The 5 crops chosen were:**

- Paddy (Rice)
- Coconut
- Sugarcane
- Lemon
- Maize

Based on Secondary Research, the Value-Added Products were listed based on their potential demand as follows:

1. Paddy Value-added Products
  - Poha
  - Rice-bran Oil
  - Puffed Rice
  - Packaged/Polished Rice
2. Coconut Value-added Products
  - Coconut Milk
  - Coconut Oil
  - Desiccated coconut
  - Coir
3. Sugarcane Value-added Products
  - Jaggery
  - Sugar
  - Bagasse
  - Sugarcane Wax
4. Lemon Value-added Products
  - Lemon juice
  - Lemon pickle
  - Lemon oil
  - Lemon powder
5. Maize Value-added Products
  - Corn starch
  - Corn flakes
  - Corn oil
  - Corn flour

### **1.9 Contributions and Recommendations made:**

The given district in Tamil Nadu has good potential in the agriculture sector given the favorable conditions for growing crops and marketing the surplus to other locations domestically as well as exporting it to other countries. The previous research articles and reports were more focused on India as a whole for agriculture produce and some on the state of Tamil Nadu. Our research at MARC has specifically focused on the particular district in order to help them find their true potential in the agricultural sector which will lead to economic development there.

\*CAGR stands for Compounded Annual Growth Rate



### a) Suggestion Matrix for Rice Value Added products

Value added product	Suggested Target Market	Suggested Marketing Channels
<b>Packaged Rice</b>	<b>Domestic and International</b> - India has high quantum of domestic rice production, and is generally offered at low local prices that allow India to offer rice at higher discounts internationally, wherein other country cannot do so.	<p><b>Direct Selling</b> – Manufacturers could brand their packaged rice and sell in the domestic market. The manufacturers could target the local market in Tamil Nadu initially, and then expand its reach to the neighbouring states.</p> <p><b>Contract Manufacturing</b> - There is high demand for packaged rice in the international market. Taking advantage of this demand, manufacturers could sell packaged rice to any established brand in India that manufactures packaged rice, which would then further pack and label it under its brand and trade the product in the international market.</p>
<b>Puffed Rice</b>	<b>Domestic and International</b> - the domestic market is expected to grow at a CAGR of 5% and the CAGR of global market is expected to grow at a rate of 7%.	<p><b>Direct Selling</b> – Considering the huge market for puffed rice in India, manufacturers could manufacture and package the product under a local brand and reach out to the target market within Tamil Nadu.</p> <p><b>Contract Manufacturing</b> - Manufacturers could sell puffed rice to any brand in India that markets puffed rice, which would then further pack and label it under its brand and trade the product in the international market.</p>
<b>Poha</b>	<b>Domestic</b> – There is more demand for Poha in the domestic market as compared to that of the international market.	<b>Direct Selling</b> - As there is demand for unbranded poha in India, manufacturers could manufacture and package the product under a local brand name and introduce the product into the market through wholesalers and retailers. The manufacturers could target the local market in Tamil Nadu initially.
<b>Rice Bran Oil</b>	<b>Domestic</b> - Because there is hike in international export prices, which would make the export process complex. Hence a domestic – national level target market is suggested.	<b>Direct Selling</b> - Internationally the cost for rice bran oil export is high and taking a risk for such an export would not be advisable. Therefore, it is suggested that the manufacturers can manufacture and package rice bran oil under their own brand name and target the major F&B manufacturers, since they utilise the product for manufacturing products like chips, etc.

## b) Suggestion Matrix for Coconut Value-added products

Value added product	Suggested Target Market	Suggested Marketing Channels
<b>Coconut Oil</b>	<b>Domestic</b> - The demand for coconuts is high from companies producing packaged coconut oil especially from Tamil Nadu.	<b>Contract Manufacturing</b> - Considering the high demand for coconut oil, the manufacturers can sell coconut oil to the well-known brands since they would have an already established market.  <b>Direct Selling</b> – Coconut oil can also be branded and sold by the manufacturers within the district directly.
<b>Coconut Milk</b>	<b>Domestic and International</b> – A significant percent of the population in India are opting for vegan options, and coconut milk is considered as a major substitute to cow milk.	<b>Contract Manufacturing</b> - Considering the increasing preference for vegan options, manufacturers of coconut milk can sell it to well-established brands, as they would have an already established market.  The manufacturers can target restaurants in the urban regions which offer vegan food options to their customers.
<b>Desiccated Coconut</b>	<b>Domestic (Northern India)</b> - There is an increasing demand for confectionery and coconut-based biscuits in India. Northern India is an untapped market for confectionery and biscuits.	<b>Contract Manufacturing</b> - Desiccated coconut can be sold to the well-known brands since they would have an already established market. Many brands manufacturing coconut-based biscuits are located in India  <b>Direct Selling</b> – Desiccated coconut can also be branded and sold directly by the manufacturers and later expand its reach to the entire state of Tamil Nadu.
<b>Coconut Cream</b>	<b>Domestic &amp; International</b> - A significant percent of the population in India are opting for vegan options, and coconut cream is considered as a major substitute to cow-milk cream.	<b>Contract Manufacturing</b> - Considering the increasing demand for coconut cream, manufacturers can sell coconut cream to the well-known brands since they would have an already established market.  The manufacturers can target restaurants in the urban regions which offer vegan food options to their customers.

### c) Suggestion Matrix for Sugarcane Value-added products

Value added product	Suggested Target Market	Suggested Marketing Channels
<b>Jaggery</b>	<b>Domestic</b> – The Indian jaggery producing industry has a profit margin of 40-60% due to the increased demand for the product.	<b>Direct Selling</b> – Manufacturers can sell jaggery to consumers locally (within Tamil Nadu) through retailers. To capture the Indian market, they can create a brand and find retailers as and when they gain popularity.
<b>Sugar</b>	<b>Domestic</b> - Sugar is highly demanded in the world as it is highly consumed in every household. Sugar has been a profitable business in India due to the increasing price trend in the country.	<b>Direct Selling</b> – Manufacturers can sell sugar in the local market of Tamil Nadu, which can be supermarkets or stores under a brand or loose unpacked sugar.
<b>Sugarcane Bagasse</b>	<b>Domestic</b> – The Indian bagasse market is expected to grow at a CAGR of 9%, whereas the global bagasse market is expected to grow at a rate of 5% CAGR.	<b>Direct Selling</b> – Sugarcane Bagasse is used mainly as a fuel in boilers to produce steam. Major producers are present in the states of Maharashtra and Uttar Pradesh.
<b>Sugarcane wax</b>	<b>International</b> - Sugarcane wax is highly demanded in the pharmaceutical, food, cosmetics, textile & leather industries. The Sugarcane wax market has potential for growth.	<b>Contract Manufacturing</b> – The manufacturers could enter into a contract with any brand that manufactures sugarcane wax, which would then further trade the product in the international market.

### d) Suggestion Matrix for Lemon Value-added products

Value added product	Suggested Target Market	Suggested Marketing Channels
<b>Lemon Juice</b>	<b>Domestic</b> - Although India has a major domestic demand for lemon juice, there is an increase in demand for imports of citrus based juices in Europe due to a poor harvest there.	<b>Direct Selling</b> - Selling it directly to local customers within Tamil Nadu for home consumption under a local brand.
<b>Lemon Pickles</b>	<b>Domestic</b> - In India, people want readymade quality products that can provide them a homemade taste. Pickles also have a high demand in regions having high number of Indians such as the Middle East.	<b>Direct Selling</b> – Considering the immense and constant demand for pickles in the country, the pickle manufacturers could pack the product under its own brand and sell it to wholesalers, retailers, etc within the district and Tamil Nadu, and sell it nationally once the product and brand gains recognition in the state.
<b>Lemon Oil</b>	<b>International</b> - The demand for essential oils is increasing in the European countries as a majority of the consumers are looking for natural ways to maintain their health and also for skin care.	<b>Contract Manufacturing</b> – Manufacturing and packaging a product for a completely new market could prove challenging for a new entrant. Hence, the manufacturers in the district could enter into a contract with any multinational brand that manufactures Lemon Oil, which would then further pack and label it under its brand, and trade the product in the international market.
<b>Lemon Powder</b>	<b>International</b> - Due to its nutritional properties and health benefits, industries like food & beverages, pharma, and cosmetics are now preferring the lemon powder for processing in their industries.	<b>Direct Selling</b> – The target market for Lemon Powder are all processing industries, as they use the product as a raw material in the manufacturing process. Hence it could be manufactured and packaged under a local brand and reached out to the targeted industries for processing.

**e) Suggestion Matrix for Corn/Maize Value-added products**

<b>Value added product</b>	<b>Suggested Target Market</b>	<b>Suggested Marketing Channels</b>
<b>Corn flour</b>	<b>Domestic</b> - Exporting corn flour from India will be challenging as there are many competitor countries like Mexico and USA etc., who produce ten times more corn flour than India. Corn flour has seen major demand in India as many Indians are shifting towards healthier options.	<b>Direct Selling</b> - Corn flour can be directly sold in the markets as it is widely and easily available in the market for purchase. Manufacturers could brand and pack their product and sell in the national market, especially in the states within close proximity.
<b>Corn flakes</b>	<b>Domestic</b> - Demand for Cornflakes in India is high as many people are shifting to healthy and easy-to-eat cereals for breakfast. Cornflakes already has an established market internationally.	<b>Contact Manufacturing</b> -Cornflakes have big manufacturers all over India. Manufacturers could enter contracts with any established brand in India that manufactures cornflakes, which would then further pack and label it under its brand and trade the product in the market, since entering the market as a new player could prove to be a challenge. The major markets are urban regions where the population prefers instant breakfast options.
<b>Corn starch</b>	<b>Domestic</b> - India has seen a high demand for corn starch in the past few years. 10-12% of maize production is converted into corn starch in India. Corn-derived starch is the most preferred substitute.	<b>Contract Manufacturing</b> - Corn starch can be produced and sold to many of the widespread manufacturers as marketplaces usually sell branded and unbranded starch  <b>Direct Selling</b> - Corn starch can be produced and sold locally directly in readymade packets of various weights as per consumer needs.
<b>Corn oil</b>	<b>Domestic</b> - Corn oil is a 51 billion market growing at a CAGR of 6%. India has a growing market for corn oil in North Indian states.	<b>Contract Manufacturing</b> - Since corn oil isn't a common product sold on the shelves of the South Indian market, it can be sold to manufacturers in other states such as Maharashtra and Gujarat as corn oil demand has doubled in those states.

## **Marketing Suggestions for Crops and their Value-added Products**

- (a) National Agriculture Market (e-NAM)
- (b) Sale to Horticulture Corporation
- (c) Application for Agriculture Tenders
- (d) Contract Farming
- (e) Sale on E-commerce platforms
- (f) Indian Business Portal

### **1.10 References**

- 1)Tanvi Deshpande, March 2017, **State of Agriculture in India**, PRS Legislative Research.
- 2)Ashok Gulati, A. Ganesh-Kumar, Ganga Shreedhar and T. Nandakumar, 2012, **Agriculture and Malnutrition in India**, Food and Nutrition Bulletin, Vol:33, United Nations University.
- 3)Dr. M. Manida and Dr. G. Nedumaran, 2020, **Agriculture in India: Information about Indian Agriculture and its Importance**, AEGAEUM Journal, Vol:8.
- 4)Dr. Vibha Dhawan, 2017, **Water and Agriculture in India**, GFFA 2017.
- 5) Jacques H. Trienekens, 2011, **Agricultural Value Chains in Developing Countries: A Framework for Analysis**, International Food and Agribusiness Management Review Volume:14.
- 6)S Rengaswamy, J Devavaram, T Marirajan, 2003, **Farmers' markets in Tamil Nadu: Increasing options for rural producers, improving access for urban consumers**, Environment & Urbanization Vol:15.

#### **Websites:**

- APEDA Agri exchange
- Trade-map
- Tridge
- Ministry of Commerce, Govt. of India
- Connect2India

## **PROJECT - 2**

### **Topic:**

A study on the potential of the Defence Sector in the USA, Canada and Israel and the prospects of starting a Venture Capital Fund that invests in Defence-related startups.

### **2.1 Project Objectives:**

- To explain the benefits of investing into the defence sector
- Highlighting the growth potential and the future trends in the defence sector
- Help the prospective Venture Capital fund to prepare a Brochure to attract investments

### **2.2 Introduction:**

The Defence Sector comprises air, sea and land-based equipment. The market for defence-related goods includes a wide range of support equipment, radars, satellites and sonars. It also covers the repair and maintenance of defence equipment used by the forces.

Most countries keep aside a certain amount of their yearly budgets for defence related spending which includes purchase of equipment and vehicles for their forces, defence related research & development as well as maintenance and upkeep of their existing equipment.

The USA has the largest defence spending globally and allocates a major part of its budget to defence related spending. Globally there is also an increase in the number of startups which cater to provision of services to the defence sector as well as research and development activities in the area of defence.

A Venture Capital fund pools together money from investors and finances companies and startups that are in need of capital. A Venture Capital Fund provides capital backing, technical expertise and managerial advice to startups and companies that they invest in.

This study is conducted to help a prospective Venture Capital Fund to set up and invest in startups that cater to the defence sector.

### **2.3 Literature Review:**

1) (**Josh Lerner, 2010**) in his Research states that the promotion of new high potential business ventures and venture capital is of critical importance to economic growth. Well considered policies can profoundly influence such opportunities. The article reviews the evidence behind the claims as well as the criteria for promotion of venture capital and entrepreneurship. The focus of the research was on public efforts that boost entrepreneurship and venture capitalists.

2) (**Anders Isaksson, 2006**) has conducted a study on Venture Capital funds and its history in Sweden as well as an overview of the venture capital process. He studied the strategies applied in the Swedish venture capital industry and the firms' valuation practices. There is also an examination of the linkages of governance and performance. The paper ends with an analysis on exit strategies and exit directed activities among entrepreneurs in venture capital relationships.

**3) (Josh Lerner, 1996)** looks at public programs that provide early-stage financing to firms, particularly high-tech companies. The paper examines the impact of the largest US public venture capital initiative, the Small Business Innovation Research (SBIR) program which has provided over \$6 billion to small high-tech firms in the 1980s and 1990s.

**4) (Irish Journal of Management)** offers a comparative perspective on venture capital in Ireland. The paper charts the emergence of the sector and the co-evolution of the demand and supply sides of the market.

**5) (Caglar Kurc and Stephanie G. Neuman, 2017)** in their research, offer a comparative analysis of the defence sectors in the 21st century. The transformation of the global defence system has been explained along with the defence industrial policies of emerging defence industries.

## **2.4 Project Methodology:**

In order to conduct the overview study, defence sector data was collected from Secondary sources such as websites and reports prepared on the defence sector. The data was then cross tabulated to show the collected data in the form of tables and charts.

- The various Growth trends and drivers of the defence sector were identified along with the major players globally.
- The Market size of the USA defence sector was expressed in terms of the defence budget and CAGR.
- The Market trends in the US defence sector were listed down
- The main benefits of investing into the Defence sector of the USA were expressed so as to attract investors to invest in the VC fund.
- The USA also has specific Executive Orders listed down to encourage investments focused on defence startups.

Similarly, the Defence sectors of Canada and Israel were also explained by market size and CAGR

The Key investments made into the Defence and various Mergers and Acquisition deals were highlighted

The currently existing Venture Capital funds were listed down and their performance was evaluated based on:

1. Total funds raised
2. Amount invested
3. Main sectors of investment
4. ROI
5. Number of exits



### Review of Methodologies

- Deloitte 2022 Defence and Aerospace Outlook
- Deloitte 2023 Defence and Aerospace Outlook
- PwC Aero-Outlook 2022

### Data collected:

- Size of Global defence sector in USD billion
- 5 years CAGR of the Global defence sector
- Size of the defence sector of the USA, Canada and Israel in USD billion along with CAGR
- US spending vs Rest of the Top-10 countries
- List of Existing VCs that invest into the Defence sector along with the number of portfolios and number of exits

## 2.5 Research Gap

Previous research papers have not specifically conducted a study on Venture Capitalists that invest into defence sector related startups.

## 2.6 Research Question

How can we attract prospective investors to invest into a Venture Capital Fund that will invest into the defence sector related startups in the USA, Canada and Israel?

## 2.7 Data Analysis:

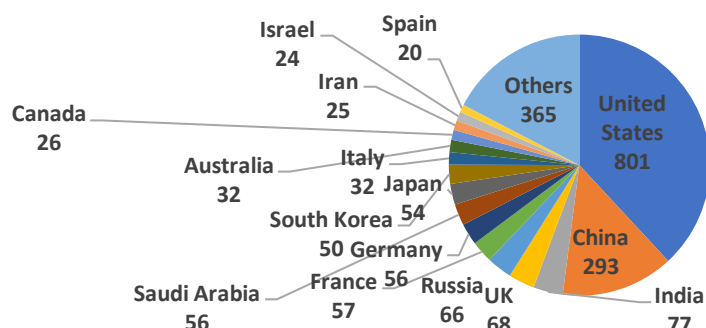


Source: The Business Research Company

The Defence sector overview was explained in terms of market size and 5 years CAGR

Global countries' defence spending data was collected and the **USA ranked first** with the highest spending among all countries.

### Global Military spending (in USD billion)



Source: Stockholm International Peace Research Institute

### List of existing Venture Capital funds in the Defence sector in America

Sr. No	Fund name	Total no. of Investments	No. of Portfolios	No. of Exits
1.	a16z	1,541	617	325
2.	Kleiner Perkins	1,955	295	763
3.	Sequoia Capital	2067	534	754
4.	8VC	503	290	49
5.	Founders Fund	980	392	237
6.	Lux Capital	469	190	70
7.	Scout	17	17	N/A
8.	Shield Capital	20	18	N/A
9.	Squadra Ventures	12	8	2
10.	Dcode Capital	8	6	2
11.	Iron Gate	35	12	16
12.	In-Q-Tel	452	167	215

(Source: Pitchbook.com)

### 2.8 Findings of the Research:

- The defence sectors of the USA, Canada and Israel were analyzed based on market size and CAGR.
- The global defence market grew from **\$534.79 billion in 2022** to **\$577.19 billion in 2023** at a compound annual growth rate (CAGR) of 7.9%.
- The United States of America (USA) defence budget was worth **\$740.4 billion in 2022** and is expected to achieve a CAGR of more than 3% from 2023 to 2027.
- The Market size of the defence sector in Canada was valued at **\$20.9 Billion** and had a CAGR (2023-2027) of more than 3%

- The Market size of the defence sector in Israel was valued at **\$22.6 billion** and had a CAGR (2023-2027) of more than 4%
- The USA has the largest defence sector in the world based on the amount it spends yearly on defence related expenditure.

## **2.9 Contributions and Recommendations made:**

Setting up a Venture Capital fund to invest into startups seems like a good investment avenue for investors given the high amounts of defence related expenditure and investments as well as the future trends that will drive the growth of the Global Defence Sector.

All other previous researches that were conducted were an overview about the defence sector or on the performance of Venture Capitalists in general. By having a combination of both, we could cater to the clients need and helped them create a Brochure for their prospective Venture Capital fund that will invest into existing startups in the Defence sectors of the USA, Canada and Israel.

## **2.10 References**

- 1) Josh Lerner, 2010, **The future of public efforts to boost entrepreneurship and venture capital**, Research Institute of Industrial Economics
- 2) Anders Isaksson, 2006, **Studies on the Venture Capital process**, Studies in Business Administration, Serie B
- 3) Josh Lerner, 1996, **The Government as Venture Capitalist: Long run impact of SBIR program**
- 4) Irish Journal of Management, **Comparative Analysis of Venture Capital in Ireland**
- 5) Caglar Kurc and Stephanie G., 2017, **Defence Industries of the 21st Century**, Defence Studies 2017, Vol:17

## **Reports:**

- Deloitte 2022 Defence and Aerospace Outlook
- Deloitte 2023 Defence and Aerospace Outlook
- PwC Aero-Outlook 2022

## **Websites:**

- Globaldata.com
- Businessresearchcompany.com
- Mordorintelligence.com
- Stanford.edu
- Trade.gov

## **PROJECT - 3**

### **Topic:**

A study on the overview and growth of the Electronics Manufacturing Services (EMS) industry in India and its future potential.

### **3.1 Project Objectives:**

- To conduct a study on the overview and growth of the Electronics Manufacturing Services (EMS) industry in India.
- To highlight its future potential so as to encourage investments into the sector.
- To list the various Government schemes and initiatives for electronics manufacturing services (EMS) that are currently being offered.

### **3.2 Introduction**

The Indian Electronics Manufacturing Services (EMS) industry is one of the most rapidly growing industries worldwide. The current digital era and continuous technological developments has led to an increase in research and development along with manufacturing of electronics. This has led to acceleration of the digital revolution in India as well as the world at large. The demand for electronic devices is steadily rising and is a key economic driver and contributor to the global economy. Even though the pandemic caused serious disruptions across the world, the EMS industry is now showing quick signs of recovery.

Currently, many global mobile and electronics companies are investing in manufacturing activities in India by either directly setting up their manufacturing plants or by outsourcing manufacturing activities to Indian companies.

### **3.3 Literature Review:**

1) (Prof. Maheshkumar Shankar Kedar, 2015) in his research explains how the Government of India with a vision to transform India into a digitally empowered society has introduced the Digital India initiative. The initiative has focus areas on the creation of digital infrastructure, ensuring services on demand and digital empowerment of citizens. The Digital India program has a mission to prepare India for a knowledge future by making technology central to enabling change. The paper overall explores the various areas covered under the initiative as well as its innovativeness.

2) (Preeti Lal, 2014) in her paper gives an overview of the Electronics Industry in India. She then compares the present with the future of the industry along with the Growth Drivers that will help achieve the future potential of the industry. The Analysis of the Electronics sector is done by using Porter's Five Force Analysis. The report ends with case studies of various existing players in the Indian Electronics sector.

**3) (Ningombam Devarani Devi, Sorokhaibam Khaba and Pranab Kumar Dan, 2013)** in their paper have conducted a study on the application of lean manufacturing methodologies in the Indian electronics manufacturing industry. They stated that India's electronics industry is one of the fastest growing in the world but India continues to face challenges such as rising expectations, wider customer bases, fluctuations of demand, etc. Thus, for India to be more efficient and to compete with a globalized market, there is a need to adopt lean manufacturing methods. The purpose of the study was to examine methods, techniques and tools that are needed to implement lean manufacturing systems as well as the obstacles and challenges that may come up in the process of doing so.

**4) (Manoj Kumar Singh, Harish Kumar, M.P. Gupta and Jitendra Madaan, 2018)** in their paper have tried to identify and build a hierarchy of the factors influencing competitiveness of the electronics manufacturing industry at the industry level. The study presents a hierarchy and weight-based model that demonstrates mutual relationships among the significant factors of competitiveness of the Indian electronics manufacturing industry. Their research showed that the Government's role and foreign exchange market had a significantly high driving power.

**5) (Earl Barnes, Jim Dai, Shijie Deng and Doug Down, 2000)** have published their document as a series of white papers in supply chains for electronics industries. They have described the current trends in the electronics manufacturing services industry which has enjoyed a 20% annual growth rate in the previous few years and will also continue growing in the years to come.

**6)(Rahul Midha, 2016)** in his research, studies the Digital India program which has helped prepare India for a knowledge future. He says that the motive behind the concept was to connect rural areas and to improve digital literacy. The various barriers have been identified and some remedies have been suggested for the same. The main motto of his research was to find out how government services can be available to every citizen electronically so as to improve the quality of life of the citizens of India.

### **3.4 Project Methodology:**

For the preparation of the report, Secondary data was collected from websites of EMS companies in India as well as general websites which prepare sector wise reports. The data was then tabulated to present data in the form of tables and charts.

Review of Methodologies was conducted on:

- Assessment of Electronics Services Design and Manufacturing report by Frost-Sullivan
- Bharat FIH Indian EMS/ODM Market Assessment Report
- Electronics Industries Association of India (ELCINA) 54<sup>th</sup> Annual Report
- Electronics System Design and Manufacturing (ESDM) - Invest India report
- Indian Brand Equity Foundation (IBEF) report of Indian ESDM sector
- Indian Electronics and Semiconductor Association Report by Ernst and Young India
- White Paper on Indian ESDM Industry by KPMG

### Data collected:

- Size of the Global Electronics Market in USD billion and CAGR
- Size and CAGR of Global EMS Industry in USD billion
- Size of the Indian Electronics Market in USD billion and CAGR
- Size of the Indian EMS market in USD billion and CAGR
- Amount (value) of EMS related investments made into the sector
- Amount of export of EMS related goods from India
- Revenue of the EMS companies in India from their Annual Reports (Public companies)
- EBITDA of the companies from their Annual Reports

### 3.5 Research Gap:

There are various reports already conducted earlier but their main focus was on the Electronics and Electricals sector in India in general. Our report strictly focuses on the EMS industry only.

### 3.6 Research Question:

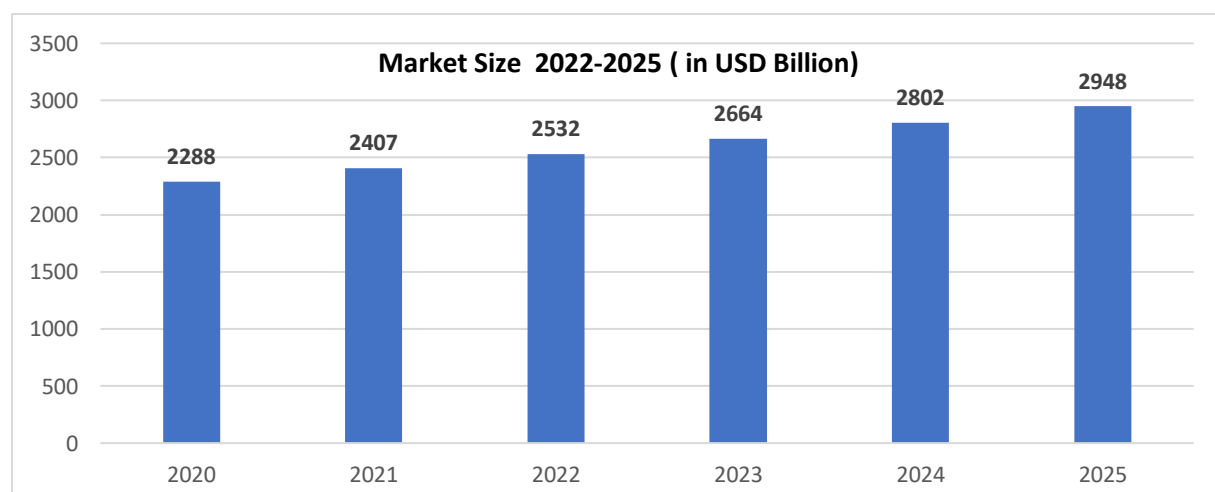
What is the future growth potential of the Indian EMS industry and is it a good sector to attract foreign investments?

### 3.7 Data Analysis:

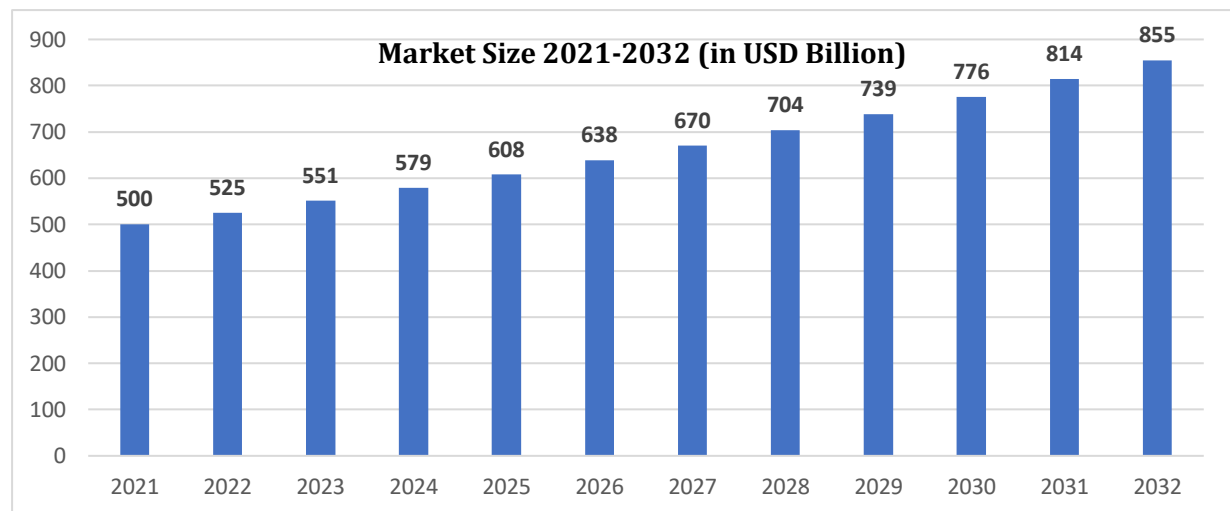
Globally, the rapid growth of the use of technology and tech related goods has led to an increase in demand for electronic goods. The pandemic also accelerated the shift from offline to online mode of work and education which led to a sudden spike in the demand for electrical goods like mobile phones and laptops so much that the demand could not be met by supply due to difficulties in producing goods during the pandemic.

To keep up with the competition and growing demand, companies are continuously evolving their manufacturing processes and designs. The electronics industry also significantly contributes to the economies of many countries in the form of Foreign Direct Investments, employment opportunities and improved infrastructure.

**The Global Electronics market was valued at US\$ 2,288 billion in FY20 and is expected to reach US\$ 2,948 billion in FY25 at a CAGR of 5.2%.**

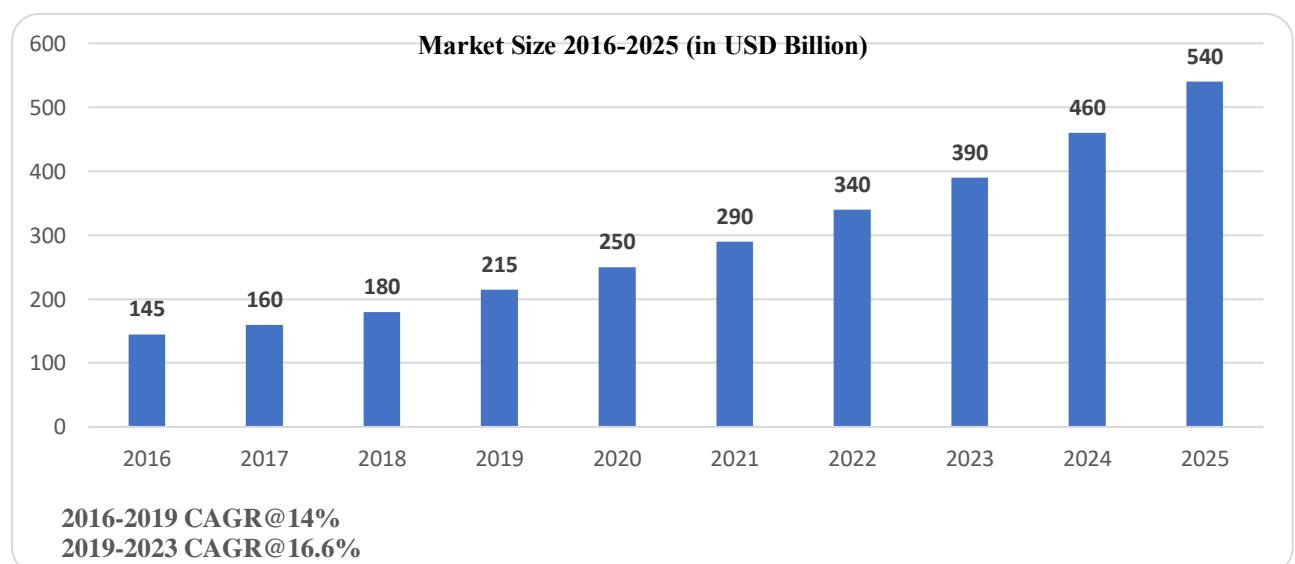


The Global Electronics Manufacturing Services (EMS) market is expected to reach **US\$ 855 billion** in FY32 at a CAGR of 5%.



India's share in the global electronics sector has grown from **1.3% in FY12** to **3.8% in FY21**. The Electronics sector of India contributes around 3.4% of the country's Gross Domestic Product (GDP).

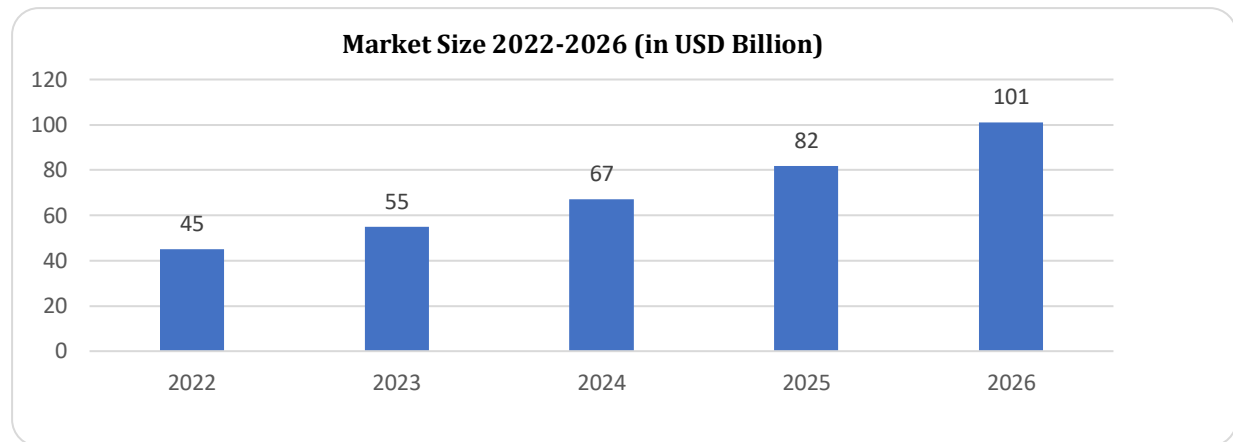
The Electronics market witnessed a growth in market size increasing from **US\$ 145 billion** in FY16 to **US\$ 215 billion** in FY19. The market also witnessed a growth of 14% CAGR from FY16 to FY19. The Electronics market is now expected to reach **US\$ 540 billion** by FY25 at a CAGR of 16.6%.



The growing Indian population also has created a high demand for electricals and electronic goods in the market given the increase in their disposable income as well.



The Indian Electronics Manufacturing Services (EMS) market was valued at **US\$ 45 billion** in FY22 and is expected to grow at a CAGR of 22.1% to reach **US\$ 101 billion** by FY26.



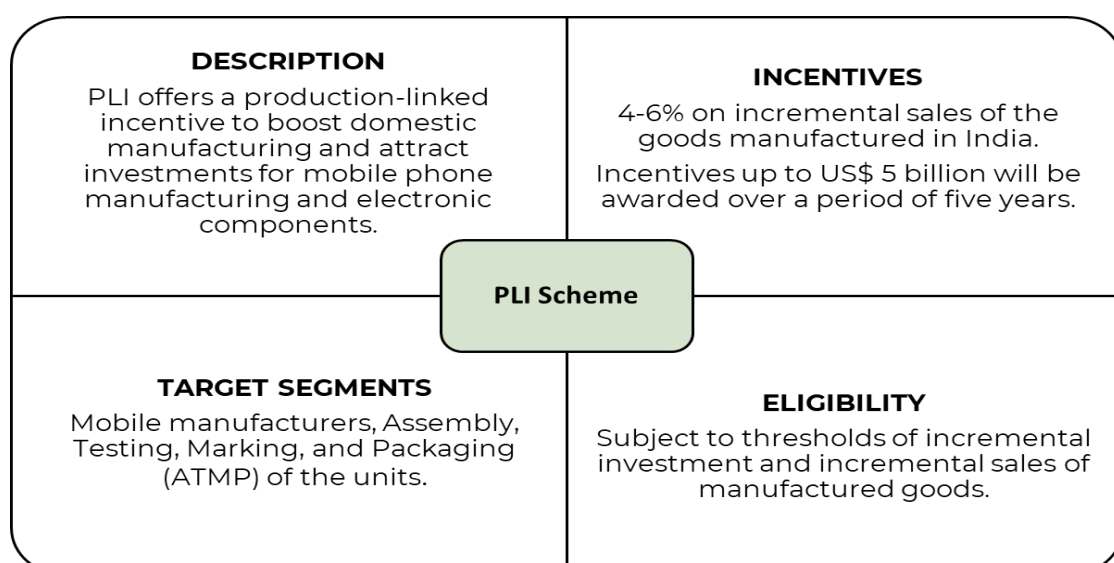
### 3.8 Findings of the Research

The Industrial overview of the Indian EMS industry shows that Indian EMS sector has good growth potential in the coming years. The Indian EMS industry is preferred by most international companies who have set up their manufacturing facilities in India given the availability of resources, labour and Government initiatives. Our research focused solely on the Indian EMS industry in specific and not the whole electronics industry which was the case of other papers.

We also found out that in India, the Government has introduced various initiatives such as Make in India and Atmanirbhar Bharat to support industries with a focus on domestic manufacturing of electronics and electrical components such as the EMS industry.

#### Indian Government Policies and Incentives Focused on the EMS Industry

##### 1) Production Linked Incentive Scheme (PLI)



## 2) Scheme for Promotion of Manufacturing of Electronic Components and Semiconductors (SPECS)

<b>DESCRIPTION</b> Aims to offset disabilities in the domestic manufacturing of electronic components and semiconductors in order to strengthen the electronics manufacturing ecosystem in the country.	<b>INCENTIVES</b> 25% on capital expenditure pertaining to plant, machinery, equipment, associated utilities, and technology, including R&D on a reimbursement basis; up to US\$ 500 million over a period of eight years.
<b>SPECS</b>	
<b>TARGET SEGMENTS</b> Electronic components, semiconductors, specialized subassemblies, and capital goods for these items.	<b>ELIGIBILITY</b> Applicable to investments in new units and expansion of the existing units.

## 3) Modified Electronics Manufacturing Clusters Scheme (EMC 2.0)

<b>DESCRIPTION</b> Introduced with the objective to address disabilities, by providing support to create world-class infrastructure, along with common facilities and amenities.	<b>INCENTIVES</b> 50% of project costs, subject to a ceiling of US\$ 10 million for every 100 acres of land.
<b>EMC 2.0</b>	
<b>TARGET SEGMENTS</b> Anchor units, EMS Projects Expansion - related projects. Common Facility Centres (CFC)	<b>ELIGIBILITY</b> Any entity engaging in EMS projects, EMS-related expansion projects, CFCs, and Anchor units.

The above three schemes and many more clearly highlight the interest of the Government of India in promotion of electronics manufacturing activities in India given its huge potential for growth due to increasing global demand.

### 3.9 Recommendations made and Conclusion

In recent years, Asia-Pacific has become one of the dominant regions in the market. It is due to rapid economic development, digitalization, and industrialization. India is one of the rapidly developing countries in the Asia-Pacific region. The population growth and the need for technological advancements have boosted the electrical industry in India. Also, the COVID pandemic caused an increase in the demand for electronic-based products. Hence most companies are recommended to set up their manufacturing units in India due to a wide range of reasons the main being availability of skilled labour, increasing demand, access to resources and support and backing from the Government in the form of policies and schemes.

### 3.10 References

- 1)Prof. Maheshkumar Shankar Kedar, 2015, **Digital India new way of innovating India digitally**, International Research Journal of Multidisciplinary Studies Vol:1
- 2)Preeti Lal,2014, **The Electronics Industry in India**, Research Journal of Science and IT Management.
- 3)Ningombam Devarani Devi, Sorokhaibam Khaba and Pranab Kumar Dan, 2013, **A study on Application of Lean Manufacturing Methodologies in Indian Electronics Manufacturing Industry**, Research Journal of Engineering Sciences.
- 4)Manoj Kumar Singh, Harish Kumar, M.P. Gupta and Jitendra Madaan, 2018, **Competitiveness of Electronics Manufacturing Industry in India: an ISM-fuzzy MICMAC and AHP approach**, Measuring Business Excellence, Vol:22
- 5)Earl Barnes, Jim Dai, Shijie Deng and Doug Down, 2000, **Electronics Manufacturing Service Industry**
- 6) Rahul Midha, 2016, **Digital India: Barriers & Remedies**, International Journal of Innovative Research in Science and Engineering, Vol:2

#### Reports:

- Assessment of Electronics Services Design and Manufacturing report by Frost-Sullivan
- Bharat FIH Indian EMS/ODM Market Assessment Report
- Electronics Industries Association of India (ELCINA) 54<sup>th</sup> Annual Report
- Electronics System Design and Manufacturing (ESDM) - Invest India report
- Indian Brand Equity Foundation (IBEF) report of Indian ESDM sector
- Indian Electronics and Semiconductor Association Report by Ernst and Young India
- White Paper on Indian ESDM Industry by KPMG

**Websites:** all EMS company websites

## **PROJECT - 4**

### **Topic:**

An Internal Audit of Accounts Receivable (AR) and Accounts Payable (AP) for two Hotels on behalf of the Owners.

### **4.1 Project Objectives:**

- 1) To review the billing process and pick a few samples of reservations for examination.
- 2) To check the steps involved in the billing cycle.
- 3) To review the approved list of Travel Agents that have been provided credit facility.
- 4) Examination of cases wherein credit has been extended to non-approved Travel Agents and the reasons for it.
- 5) Calculation of Debtors Ageing and the reasons for those that have aged beyond 30 days.
- 6) Reconciliation of TDS and TCS as per Form 26 AS
- 7) Checking of all Cash Receipts
- 8) Calculation of Customer Advances Ageing and reviewing the cases wherein Advances have been unadjusted for more than a year and have not been accounted as "Deposits."
- 9) Examination of settlement receipts of Travel Agents with the relevant bills post collection.
- 10) Review of remittances received in foreign currency and the documents supporting it.
- 11) Calculation of Creditors Ageing and reasons for those that have aged beyond 30 days.

### **4.2 Introduction**

#### **Internal Audit**

Internal audits are undertaken to evaluate a company's internal controls, which include its accounting processes and corporate governance. Internal audits ensure compliance with regulatory laws and helps maintain accurate and timely financial reporting and data collection. Internal auditors are appointed by companies who work on behalf of management teams. These audits also help attain operational efficiency by the identification of problems and making corrections before they are discovered in a formal external audit.

#### **Agency Theory**

This is a term used to describe the relationship between a Principal and an Agent. A Principal is the actual owner of a particular property which in this case are Hotel ABC and Hotel XYZ. The Agent party is currently given a contract to look after the management of both hotels and conduct the day-to-day operations. There has been an agreement signed between both parties wherein the Principal party has handed over the property of Hotel ABC and Hotel XYZ to the Agent party to manage and in return a certain percentage of commission earned from the hotel operations is to be paid by the Agent to the Principal periodically as per the Terms of Agreement between them.

There are Board meetings conducted on a Quarterly basis wherein the Board of Directors from the Principal party side sit alongside the Management team from the Agent party side and have discussions with respect to functioning and highlighting of any issues that might have occurred. There is also an analysis done on the performance of business by the Agent party in the management of Hotel ABC and Hotel XYZ for which MARC was appointed as the Internal Auditors on behalf of the Principal party to examine the performance of the Agent party in its day-to-day functioning and present all our findings for every Board meeting that is conducted on a quarterly basis.

As per the Agreement between MARC and the Principal party, a series of Audits are to be conducted on a rotation basis every quarter on the functioning of the Agent party. The series of Audits include:

- Fixed Asset Audit
- Income Audit
- Expense Audit
- Food and Beverage Audit
- Departmental audits
- Accounts Receivable and Accounts Payable (AR-AP) Audit, etc.

As part of my Internship, I got a chance to accompany the Audit team to Hotel ABC and Hotel XYZ on a weekly basis in order to undertake and work on the AR-AP Audit for Quarter 4 of Financial Year 2023 which included months of January to March 2023.

### **Accounts Payable and Accounts Receivable**

**1.Accounts payable (AP)** refers to a company's short-term obligations owed to its creditors or suppliers, which are yet to be paid. Payables appear on a company's balance sheet as a Current Liability. The credit parties can be banks, companies, or even other sources from whom money is borrowed from or goods are purchased on credit basis from vendors or suppliers. In our analysis as part of this report all Accounts Payable transactions were undertaken with various suppliers of goods and services as well as commission payments due to Travel Agents, etc.

**2.Accounts receivable (AR)** is a current asset account that keeps track of money that is due from third parties. These parties can be companies, or even people who have borrowed money from our company or have availed a particular service and are yet to re-pay the amount due. A common example is the amount due from customers for goods sold or services provided to them as part of generating revenue. In our analysis as part of this report, all Accounts Receivable transactions were due from corporates, guests and travel agents for bookings of weddings and corporate events which includes room bookings wherein the stay or event is over, but payment has still not been received from the respective party.

### **Accounts Receivable and Accounts Payable (AR-AP) Audit**

An Accounts Receivable and Accounts Payable Audit is done to ensure the recording of transactions with debtors and creditors are being done adequately. It examines procedures and controls used for recording receivables and payables and represents them fairly in the financial statements. Accounts Receivable and Accounts Payable Audit mainly looks after preparation of Ageing Reports on payments due from Debtors and payments due to Creditors.

### **A brief overview about the Hotel operations and SOPs:**

- All Hotel bookings happen on Advance payment basis which includes all bookings for Weddings, Corporate events and other packages.
- A 100% Advance payment is made in the form of 4 equal installments of 25% each
- For Room bookings, Credit is given only to those parties that have been approved by the Management. This list is updated every year and sent to the Corporate Office.
- Credit is usually extended to approved parties such as Travel Agents, Corporates and certain Card holders.
- Room bookings can be made directly via hotel reservations (phone calls etc), through the Hotel website and also via Online Travel Agent apps and sites such as Expedia, MakeMyTrip, etc.
- Advance Payments are recorded in Advance Payment Tracking Sheet and are adjusted as and when guest's check-in or events are held.
- Cancellations for Room bookings can be done up to 72 hours prior from booking date while Event bookings can be cancelled 30 days prior from date of event. If cancellations are made after allotted relaxation period, a certain sum is charged as Cancellation Fee.
- All Guest check-ins need to be recorded on a Government Portal within 24 hours from check-in time.
- All cash payments above Rs. 50,000 need PAN details of Indian citizens and Passport details of foreign nationals to be recorded. For Corporate bookings, GSTIN details are recorded.

### **4.3 Literature Review**

1) (**Andrew D. Chambers and Marjan Odar, 2015**) in their paper have explored how internal auditing may recover from being one of the corporate governance gatekeepers that have failed to prevent global financial crises. The paper provides a brief analysis of internal auditing history and ends with an appraisal of contemporary status. The findings include enhancements of internal auditing and how internal audits need to move into corporate governance space so as to audit corporate governance more effectively and to provide more dependable assurance to boards.

2) (**Michael B. Adams**) in his article has used agency theory to examine the role of external auditor in society since relatively few researchers have applied agency theory to internal auditing function. This article examines how agency theory can help explain the existence, role and responsibilities of the internal audit function and also provide a useful framework for the conduct of further empirical research.

3) (**Jenny Goodwin-Stewart and Pamela Kent**) in their paper have conducted a study to explore the voluntary use of internal audit by Australian publicly listed companies and to identify the factors that lead listed companies to have an internal audit. The paper predicts that internal audit use is associated with factors related to risk management, strong internal controls and strong corporate governance. For the purpose of testing predictions made, the study combines data from a survey of listed companies with information from corporate annual reports and also provides descriptive information on the use of internal audit.

4) (**Dana R. Hermanson and Larry E. Rittenberg**) have stated that any examination of research opportunities in internal auditing must first consider the broader context in which the Internal Audit Function (IAF) operates. The study focuses on the role of the IAF in organizational governance. Along with describing the meaning of organizational governance, they have also presented a conceptual model for effective organizational governance for both profit seeking and not-for-profit organizations.

5) (**Dennis Caplan and Saurav K. Dutta, 2016**) in their paper have examined how recent public policy initiatives seek greater transparency in financial reporting through an honest, balanced and thorough management discussion of company performance in the annual report. They state that Management's discussion invariably includes key performance indicators, such as financial ratios which are relevant to external stakeholders. They have also provided a structured approach to inform the policymakers, auditors and other stakeholders of the incremental financial reporting risk that accompanies current regulatory efforts.

6) (**Ruiyun Wang, 2021**) in their paper explained how continuous development of the Chinese economy and intensification of economic globalization, enterprise groups have established financial sharing centres one after another, and the auditing of accounts receivable and payable based on mobile computing has been given importance. A good audit and early warnings can make the company's internal management more standardized, more conducive to risk control and meet the company's financial management requirements and business development requirements. The article studies the audit and early warning of accounts receivable and payable under the financial sharing model of mobile computing.

7) (**Kishore Singh and Peter Best, 2016**) in their paper have demonstrated the technical feasibility of implementing multi-view visualization methods to assist auditors in reviewing the integrity of high-volume accounting transactions. They state that modern day enterprise resource planning (ERP) systems record several thousands of transactions daily and this makes it difficult to find few instances of deviant activities among the legitimate transactions that are recorded on a daily basis. In the research, data was obtained from the SAP ERP system of an organization and a framework for performing visual analytics was developed and applied to the data to determine its usefulness and effectiveness in identifying deviant activities.

8) (**Leonardo Sedevich-Fons, 2019**) in his paper has analysed the relationship between the ISO 9000 model and accounts payable function, described the potential benefits of their integration, evaluation of their compatibility and proposed a method for their amalgamation in practice. The analysis highlights the importance of the Accounts Payable function in organizations and discloses its suitability to be included in the ISO 9000 model as any other organizational processes.

9) (**Ohonba Osamwonyi Ernest, 2015**) in their paper states that the fast-changing world is affecting every sector of the economy. The accounting profession is not left out of this change as the quality of information to be provided to users for decision making has to be improved upon. The paper provides detailed information about the concept of auditing to its relevance in a computerized accounting system and also analyses the procedure for auditing a computerized accounting system. The study concludes with the statement that although computerized accounting offers several more benefits than manual accounting, the function of manual accounting will never go away completely.



10)(Johnny R. Johnson, Robert A. Leitch and John Neter 1981) in their paper have examined the error characteristics in 55 accounts receivable and 26 inventory audits. The error rates present in the audits were analysed and the balance between overstatement and understatement errors were examined.

#### **4.4 Project Methodology**

##### **Data source:**

All data collected for the AR-AP audit was directly requested from the Finance Department of the concerned organizations. A detailed IRL (Information Request List) was sent requesting all the necessary information which is listed below.

After collecting data, the process of analysing it will be conducted as follows:

1. Separation of Cash List and Credit List transactions along with checking of any Black List party undertaking any transaction.
2. Making a list of all transactions that exceeded Rs 50,000.
3. Preparation of a list of all Debtors for the period under review and calculation of the number of days they have been due and preparing a Debtors Ageing Report sheet having categories based on the number of days such as 0-30 days, 31-60 days, 61-120 days and more than 120 days categories.
4. Calculation of total amount due for each debtor and the categories under which it falls.
5. Calculating Top 15 Debtors based on amount due and the value due for each transaction by them along with reasons for the same.
6. Preparation of a separate list of all Debtors Ageing for more than 30 days as most hotel bookings work on 100% advance payments along with a credit period of up to a month to approved Credit-listed parties.
7. List of Advance payments received for the period under review.
8. Making a list of Advances received above Rs. 50,000 and checking of supporting documents such as PAN or Aadhaar cards for Indian citizens and passports or visas for foreign nationals.
9. Checking of Advances due for more than a year especially the ones above Rs. 1 Lakh and the reasons for the same along with explanation as to why they haven't been accounted for as "Deposits".
10. Picking of random room codes having similar specifications but different prices for different customers on different booking dates and the reasons for the variances.
11. Variances in rates charged for different online bookings by random sampling.
12. Examining list of Creditors (Accounts Payable) along with preparation of a list of Top 15 Creditors as per amounts due and preparation of Creditors Ageing Report.
13. Checking nature of business with the Top 15 Creditors and whether they have been contracted or not (whether a pre-purchase contract has been signed with the vendors)
14. Understanding the process of Room bookings made by Online Travel Agents, Hotel reservations and Card holders and examining of random samples.
15. For Project Research purpose, dividing Debtors Ageing Report into "High value" and "Low value" transactions based on the Mean and "Less than 30 days" and "More than 30 days" based on number of days they have aged for.

## **Data requested as per the IRL (Information Request List)**

**Note: All information requested is for the period under review which is Q4 of FY 23 which includes the months of January, February and March 2023.**

### **Billing:**

1. Explanation of the Billing process and SOP followed.
2. Details of guest reservations made during the period under review.
3. Details of approved and non-approved Travel Agents that have been extended credit along with supporting documents and approvals from Corporate Office.
4. Details on non-settlements along with Guest Ledgers.
5. List of events conducted during the period under review (Corporate events and Weddings)

### **Accounts Receivable (AR):**

1. Detailed bifurcation of payments received as advances, hotel receipts and credit transactions.
2. Accounts Receivable sheet
3. Bill wise reconciliation for Online Travel Agents for receivables and settlement reconciliation.
4. TDS and TCS reconciliation as per 26AS.
5. Details of all Cash settlements during the review period.
6. Explanation for cash transactions of more than Rs. 50,000 and the SOPs followed for the same.

### **Accounts Payable (AP):**

1. Accounts Payables sheet for the review period.
2. Details of cheques in hand, vendor advances and unlisted advances.

## **4.5 Research Gap**

The whole purpose of conducting this Accounts- Receivable and Accounts Payable Audit was to report findings to the Management of the Principal party side (Owners) about the functioning and operations of the Agent party in running Hotel ABC and Hotel XYZ prudentially and fairly.

## **4.6 Research Question**

Is the Agent party running Hotel ABC and Hotel XYZ by following all necessary procedures for timely management of Accounts Receivable and Accounts Payable?

## 4.7 Data Analysis

All data collected was for the period Q4FY'23 comprising of January, February and March 2023. All data collected was tabulated in the form of tables for better understanding.

**NOTE: Names of all parties have been kept confidential. All amounts due are not actuals so as to maintain confidentiality. All figures presented in these tables are for explanation purpose only.**

### A) Accounts Receivables (Debtors)

#### Step 1: Debtors Ageing

The entire list of debtors was analysed transaction wise for each debtor. Each debtor had a date since when the amount was due to Hotel ABC. The ageing of each debtor was calculated as a difference from the date on which the Transaction was undertaken up to 31<sup>st</sup> March 2023. The MS Excel formula used to calculate Debtors Ageing was:

**Age in number of days = (31-03-2023) – (Date of Transaction)**

Each debtor's amount due was totalled up and divided into columns based on amounts due from each of them and was then arranged in chronological order.

Transaction No	Debtor's Name	Transaction Date	31st March	Age as on 31st March	Amount
34619	A	25-01-2023	31-03-2023	65 days	4,10,734
13987	B	27-01-2023	31-03-2023	63 days	69,837
84790	C	26-02-2023	31-03-2023	33 days	1,46,623
69997	D	04-03-2023	31-03-2023	27 days	1,95,985
47229	E	26-03-2023	31-03-2023	5 days	34,640

Each debtor was then classified into different categories based on the different Ageing Groups and amounts due from them as follows:

- No due date (Transactions that were undertaken on 31<sup>st</sup> March 2023)
- 1 to 30 days
- 31 to 60 days
- 61 to 120 days
- More than 120 days

**A sample of 5 Debtors is as below:**

<b>Party Name</b>	<b>Amount pending</b>	<b>No due date Amount</b>	<b>1 to 30 Days Amount</b>	<b>31 to 60 Days Amount</b>	<b>61 to 120 Days Amount</b>	<b>More than 120 Days Amount</b>
Debtor A	26,57,873	5,57,300	21,00,573	-	-	-
Debtor B	43,06,642	-	21,67,000	1,96,800	19,42,842	-
Debtor C	34,10,270	21,44,517	3,12,278	5,38,131	4,15,345	-
Debtor D	42,77,565	-	30,74,260	4,15,065	5,11,530	2,76,710
Debtor E	36,97,601	-	1,48,000	-	21,28,553	14,21,048
<b>TOTAL</b>	<b>1,83,49,951</b>	<b>27,01,817</b>	<b>78,02,111</b>	<b>11,49,996</b>	<b>49,98,270</b>	<b>16,97,758</b>

The table above is a sample of how the actual workings were done.

Party name has the name of the Debtor

Amount pending column was the Total Amount due from each Debtor

No due date column had the amounts of each debtor that were due on 31<sup>st</sup> March 2023

1 to 30 days column had the sum of the amount of each debtor that was due between the period between 1 to 30 days. The amount in each column was the sum of all amounts due between that particular period.

The same was with columns for “31 to 60 days”, “61 to 120 days” and “More than 120 days” for all transactions that had aged for greater than 120 days from the date of transaction.

Each of the columns were then totalled up.

At the end of this, each Debtors total amount due was arrived at along with the bifurcation into each category.

This process was repeated twice for transactions of Hotel ABC and Hotel XYZ.

The total of the amounts due from each Debtor was arrived at, along with overall Total for Hotel ABC and Hotel XYZ was arrived at, separately.

## **Step 2: Listing of Top 15 Debtors as per total amount due from them**

Each debtors’ total amount due was arrived at and a separate list was prepared which will be sent as an Annexure file to the Management as an Observation. The percentage due from each debtor was also calculated along with the percentages of amount due in each time period category (1 to 30 days, 31 to 60 days, etc.)

By doing so, the Total Amount Due from each Debtor was arrived at and arranged in Descending order

The following Table is a sample of how Debtors were listed in descending order as per their Total Debt amount due

Party Name	Amount pending	No due date	0 to 30 Days	31 to 60 Days	61 to 120 Days	More than 120 Days
Debtor B	43,06,642	-	21,67,000	1,96,800	19,42,842	-
Debtor D	42,77,565	-	30,74,260	4,15,065	5,11,530	2,76,710
Debtor E	36,97,601	-	1,48,000	-	21,28,553	14,21,048
Debtor C	34,10,270	21,44,517	3,12,278	5,38,131	4,15,345	-
Debtor A	26,57,873	5,57,300	21,00,573	-	-	-
<b>TOTAL</b>		<b>27,01,817</b>	<b>78,02,111</b>	<b>11,49,996</b>	<b>49,98,270</b>	<b>16,97,758</b>

The list of all Debtors arranged in descending order was a part of another Annexure which will be sent to the Management as an Observation so that the required follow up action can be taken.

Separate lists of all Debtors sum totals in Descending order were prepared for Hotel ABC and Hotel XYZ

### Step 3: Listing of all Debtors that have amounts due for more than 60 days.

Hotel ABC and Hotel XYZ like most other hotels in the hospitality industry follow a policy wherein most bookings for events, weddings, room bookings, etc happen on advance basis. However, in some cases credit can be extended to corporates and some guests by approval from the Management. This period generally should not exceed one month from the day of transaction. As part of our analysis, we allowed a credit period of up to two months which was up to 60 days and all debtors having amounts due for “More than 60 days” were highlighted so as to bring it to the attention of the Management and required follow up action can be taken at the earliest.

Below is a sample of a Table showing all those Debtors’ transactions that are due for “More than 60 days” in terms of value and percentage.

Party Name	More than 60 Days	Total amount pending	% of Total Amount pending for more than 60 days
Debtor B	7,89,573	17,89,573	44%
Debtor D	4,09,000	8,09,000	51%
Debtor E	2,00,600	10,00,600	20%
Debtor C	1,53,400	8,72,320	18%
Debtor A	96,972	13,66,972	7%

The first column shows the name of the Debtor.

The second column shows the amount of debt that is due for more than 60 days.

Column 3 shows the total amount pending from the debtor

The last column shows the percentage of the total debt that is due for more than 60 days for each debtor.

Separate Tables were prepared for Hotel ABC and Hotel XYZ

## **B) Accounts Payable (Creditors)**

The entire list of creditors and vendors from whom goods or services were taken on credit were provided by the hotel. Each of the Vendor/Supplier/Creditor had their transaction number as per the Hotel's books, Name of Vendor/Supplier/Creditor and Dates on which the transactions occurred.

### **Step 1: Calculation of Creditors Ageing**

The entire list of creditors/vendors/suppliers was received and made into tabular form for calculation of age since when payments are due to the creditors. Age was calculated using the same formula as Debtors Ageing.

**Age in number of days = (31-03-2023) – (Date of Credit purchase made)**

Each Creditor's amount was totalled up based on amounts that are to be paid as follows:

Transaction No	Vendor Name	Transaction Date	31st March	Age as on 31st March	Total Amount
13987	L	24-02-2023	31-03-2023	35 days	4,10,734
34619	M	07-01-2023	31-03-2023	83 days	69,837
47229	N	02-02-2023	31-03-2023	57 days	1,46,623
69997	O	24-03-2023	31-03-2023	7 days	1,95,985
84790	P	06-02-2023	31-03-2023	53 days	34,640

The above table shows Transaction number, Name of the Vendor/Supplier/Creditor followed by the Date of which the purchase transaction happened or the service was offered/billed on and the Age since when payment is due to them along with Total Amount due to each party.

Each creditor was then classified into different categories based on the different Ageing Groups and amounts to be paid to them as follows:

- 0-30 days
- 31-60 days
- 61-90 days
- More than 90 days

**A sample of 5 Creditors is as follows:**

Vendor Name	Balance due	0-30 days	31-60 days	61-90 days	More than 90 days
L	76,70,996	74,06,364	-	2,64,632	-
M	27,49,746	26,71,204	-	-	78,542
N	15,25,903	15,12,920	-	12,983	-
O	15,52,419	12,29,822	1,95,190	54,330	73,077
P	12,53,048	12,39,660	-	-	13,388
<b>TOTAL</b>	<b>1,47,52,112</b>	<b>1,40,59,970</b>	<b>1,95,190</b>	<b>3,31,945</b>	<b>1,65,007</b>

The above table shows the classification of each vendor based on amounts due to be paid to them. Balance due is the total amount that is due to be paid. Each of the columns show the time periods within which payment has been lying due.

The table ends with totals of all Creditors combined as well as the totals of amounts due in each time period.

This process was repeated twice for Hotel ABC and Hotel XYZ

### **Step 2: Listing of Top 15 Creditors based on amounts due to be paid to them**

Each creditor's total amount pending was arrived at and a separate list was prepared which will be sent as an Annexure file to the Management as an Observation. The percentage due from each creditor was also calculated along with the percentages of amount due in each time period category (0 to 30 days, 31 to 60 days, etc.)

By doing so, the Total Amount to be paid to each Creditor was arrived at and arranged in Descending order

Vendor Name	Balance	0-30 days	31-60 days	61-90 days	More than 90 days
L	76,70,996	74,06,364	-	2,64,632	-
M	27,49,746	26,71,204	-	-	78,542
O	15,52,419	12,29,822	1,95,190	54,330	73,077
N	15,25,903	15,12,920	-	12,983	-
P	12,53,048	12,39,660	-	-	13,388
<b>TOTAL</b>	<b>1,47,52,112</b>	<b>1,40,59,970</b>	<b>1,95,190</b>	<b>3,31,945</b>	<b>1,65,007</b>

The above Table shows listing of Creditors as per descending order of amount due.

This table will also be sent as an Annexure to the Management so that the necessary payments can be made on time.

### **Step 3: Listing of Creditors as per Nature of Business**

A separate table was made for all creditors having amounts pending in descending order. Random samples were picked to check the nature of business whether it was related to provision of Food and Beverage supplies, Maintenance services, Taxi services, Travel Agent commission etc. The hotel has also entered into contract agreements with suppliers for supply of food and beverage items and other supplies. Samples of few contract agreements were examined so as to check terms of agreement of the contracts and terms of payment along with credit period. The entire process for Creditors ageing and verification was carried out separately for Hotel ABC and Hotel XYZ.

## **C) Receipt of Advance Payments**

### **Step 1: Examination of all Advance Payments along with PAN card details**

Like most other hotels in the Hospitality sector, Hotel ABC and Hotel XYZ also follow an advance payment procedure for bookings done.

Most corporate events, wedding bookings etc. first begin with an agreement with the customer and the Hotel. This agreement will finalise the number of people attending the event, the number of room bookings needed, the hall/venue, food and beverage arrangement plans and most importantly finalisation of dates of the event.

Advance payments are to be paid in 4 installments of 25% each.

For example, if a quotation of Rs. 10,00,000 is given for an event booking in September 2023, 4 installments of Rs 2,50,000 each will be made in the months of May, June, July and August 2023. Any adjustments will be done as and when required.

The Advance Payment Tracker Sheet is maintained by the Sales Team which keeps a track of event bookings, the dates on which bookings are made, installment payment dates, receipt of installments, etc.

For the purpose of our analysis, we examined entries made in the Advance Payment Tracker sheet and a list of all advance payments were given to us.

As per guidelines, PAN details of all advance payments above Rs 2 Lakhs are to be collected and the same was also examined for all transactions above Rs 2 Lakhs.

If Advances are made in Cash payments, PAN details are needed for payments made above Rs. 50,000

All PAN details were examined along with amounts paid and receipt dates of the advances.

### **Step 2: Checking for Advance Payments of more than a year\***

(\*Payments were made prior to March 2022 but since event has not occurred during the year, payment is still shown as an Advance)

As per Rule 2 of the Acceptance of Deposits by Companies Rules 2014, if any Advance Payment has been received from a customer by any company and the goods are not supplied or services not provided within a year from the date of receipt of Advance, the company has to refund the payment back to the customer. If a company fails to refund the advance, they need to record it as “Deposits” in the books of Accounts and also fill up Form DPT-4.

For this purpose, a thorough check was conducted for all advance payments that were received prior to March 2022 and the events did not happen within a year and if the amount is still not converted into a Deposit entry in the Books of Accounts.

Annexures were provided based on Advance Payments received and will be sent to the Management.



#### **D) Cash Settlement transactions**

Cash settlement transactions include all payments for room bookings, events, restaurant meals and other amenities in the form of cash payments to the Hotel.

As per Central Board of Direct Taxes notification, all cash payments above Rs 50,000 need to have PAN details of the payer.

For this purpose, the Cash Receipts sheets for the months of January to March 2023 of Q4FY'23 were examined in detailed to verify correctness of transactions. Random samples were picked and the cash receipts were checked along with the necessary bills for the same.

All Cash Transactions above Rs. 50,000 were checked for PAN details.

This process was carried out separately for Hotel ABC and Hotel XYZ and separate Annexures were prepared for Cash Transactions above Rs. 50,000 (number of transactions and total amount received) as compared to the overall cash transactions.

A detailed month wise breakup was also prepared for Hotel ABC and Hotel XYZ as follows:

- Total number of Cash transactions for each month
- Total value of Cash transactions received each month
- Total number of Cash transactions above Rs. 50,000 each month
- Total value of Cash payments above Rs. 50,000 each month
- List of PAN details for all Cash transactions above Rs.50,000

\*Corporate cash payments above Rs. 50,000 needed to have GSTIN details noted.

#### **E) TCS and TDS reconciliation**

TCS stands for Tax Collected at Source and TDS stands for Tax Deducted at Source.

Form 26AS gives all details of the tax credit for all taxes paid during the given Financial Year. For reconciliation of TCS and TDS payments, the entries as per Books of Accounts were examined and compared with actual amounts that reflected on the GST Portal and Form 26AS. An Annexure was prepared as follows:

Trade name/Legal name of Collector	Total as per GST Portal	Total as per Books	Difference
A. Ltd	79,637	74,188	5,449
B. Ltd	24,995	23,582	1,413
C. Ltd	2,101	2,024	77
<b>TOTAL</b>	<b>1,06,733</b>	<b>99,794</b>	<b>6,939</b>

#### **F) Foreign Transactions**

Hotel ABC and Hotel XYZ is frequently visited by tourists from other countries. A study was done on whether any foreign currency was received as a mode of payment either by cash or overseas debit and credit cards. Passport details were to be noted since foreigners did not have PAN Card details.

## 4.8 Findings of the Research:

(All amounts are not actual figures and some amounts have been not been disclosed for confidentiality purpose)

### A) Accounts Receivables (Debtors)

After conducting an in-detail study of all Debtors at Hotel ABC and Hotel XYZ, we have summarised our findings as follows:

#### 1) Debtors Ageing

ABC Debtors Ageing

Particulars	Amount	Percentage
No due date	XXX	30%
0 to 30 Days	XXX	34%
31 to 60 Days	XXX	8%
<b>61 to 120 Days</b>	<b>XXX</b>	<b>9%</b>
<b>More than 120 Days</b>	<b>XXX</b>	<b>19%</b>
<b>TOTAL</b>	<b>XXX</b>	<b>100%</b>

XYZ Debtors Ageing

Particulars	Amount	Percentage
No due date	XXX	8%
0 to 30 Days	XXX	61%
31 to 60 Days	XXX	5%
<b>61 to 120 Days</b>	<b>XXX</b>	<b>13%</b>
<b>More than 120 Days</b>	<b>XXX</b>	<b>13%</b>
<b>TOTAL</b>	<b>XXX</b>	<b>100%</b>

As can be seen in the tables above, Debtors Ageing was calculated for Hotel ABC and Hotel XYZ and divided into categories from “No due date” to “More than 120 days” along with Totals of the Amounts.

Hotel ABC had a total of 28% (9%+19%) of its total Debtors that have not paid their dues for a period of more than 61 days combined amounting to a Total Amount of Rs. XXX

Hotel XYZ had a total of 26% (13%+13%) of its total Debtors that have not paid their dues for a period of more than 61 days combined which amounts to a Total Amount of Rs. XXX

#### 2) Top 5 Debtors as per Total amount due

ABC	INR	
Top 5 Debtors Total	XXX	53%
Total of all debtors	XXX	

Top 5 Debtors Total	XXX	
Out of which due for 60+ days	XXX	34%

XYZ	INR	
Top 5 Debtors Total	XXX	69%
Total of all debtors	XXX	

Top 5 Debtors Total	XXX	
Out of which due for 60+ days	XXX	20%

Out of the Total Debtors at Hotel ABC, the Top 5 Debtors owed a combined sum of Rs. XXX which amounted to 53% of the Total Debtors of the Hotel for the period under review. Out of the Total amount due from the Top 5 Debtors, 34% of the amount was due for a period of “More than 61 days”

Out of the Total Debtors at Hotel XYZ, the Top 5 Debtors owed a combined sum of Rs. XXX which amounted to 69% of the Total Debtors of the Hotel for the period under review. Out of the Total amount due from the Top 5 Debtors, 20% of the amount was due for a period of “More than 61 days”

### 3) Debtors Analysis

**(PS: This was not a part of the actual AR-AP Audit but I have done this analysis as a part of my Project Report)**

For the purpose of my Analysis, the Debtors were classified as follows:

- The average amount due from each debtor was Rs. 30,000 (Mean value) so by using this figure, I divided all the Debtors into 2 categories:
  - a. High Value Debtors transactions (amounts above Rs. 30,000)
  - b. Low Value Debtors transactions (amounts below Rs. 30,000)
- The acceptable payment time for debtors was fixed at a credit period of 30 days and the Debtors were classified as:
  - a. 0-30 days
  - b. More than 30 days

**My findings for Hotel ABC were as follows:**

Particulars	No. of Drs.
No due date	91
0 to 30 Days	244
31 to 60 Days	127
61 to 120 Days	77
More than 120 Days	34
<b>Total No of Drs</b>	<b>573</b>

<b>High Value</b>	107	(Above 30k)
<b>Low Value</b>	466	(Below 30k)
<b>Total</b>	<b>573</b>	

#### 0-30 days

High Value	62
Low Value	273
<b>Total</b>	<b>335</b>

#### More than 30 days

High Value	45
Low Value	193
<b>Total</b>	<b>238</b>

### Debtors Matrix for Hotel ABC

	High Value	%	Low Value	%	TOTAL
<b>0 to 30 days</b>	62	58%	273	59%	<b>335</b>
<b>More than 30 days</b>	45	42%	193	41%	<b>238</b>
<b>TOTAL</b>	<b>107</b>	<b>100%</b>	<b>466</b>	<b>100%</b>	

As can be seen in the above tables, the following are the Findings:

- There were a Total of 107 High Value transactions and 466 Low Value transactions in the given period under review.
- There were a Total of 335 Debtor transactions due for a period of "0-30 days" and a total of 238 Debtor transactions due for a period of "More than 30 days"
- In the time period of "0-30 days" there were 62 Debtor transactions which were of High Value and accounted for 58% of the Total number of High Value transactions in that period.
- There were also 273 Debtor transactions which were of Low Value and accounted for 59% of the Total number of Low Value transactions in that period.
- In the time period of "More than 30 days" there were 45 Debtor transactions which accounted for 42% of the Total number of High Value transactions in that period.
- There were also 193 Debtor transactions which were of Low Value and accounted for 41% of the Total number of Low Value transactions in that period.

Further breakup of transactions that were due for “More than 30 days”

<b>Hotel ABC</b>	<b>High Value</b>	<b>%</b>	<b>Low Value</b>	<b>%</b>
<b>31 to 60 Days</b>	17	38%	110	57%
<b>61 to 120 Days</b>	14	31%	63	33%
<b>More than 120 Days</b>	14	31%	20	10%
<b>TOTAL</b>	<b>45</b>	<b>100%</b>	<b>193</b>	<b>100%</b>

It was found that out of the Debtor Transactions at Hotel ABC that were due for "More than 30 days":

High Value Transactions:

- 17 transactions were due between "31 to 60 days" and accounted for 38% of transactions.
- 14 transactions were due between "61 to 120 days" and accounted for 31% of transactions.
- 14 transactions were due for "More than 120 days" and accounted for 31% of transactions.

Low Value Transactions:

- 110 transactions were due between "31 to 60 days" and accounted for 57% of transactions.
- 63 transactions were due between "61 to 120 days" and accounted for 33% of transactions.
- 20 transactions were due for "More than 120 days" and accounted for 10% of transactions.

My findings for Hotel XYZ were as follows:

Particulars	No. of Drs
No due date	48
0 to 30 Days	482
31 to 60 Days	121
61 to 120 Days	152
More than 120 Days	112
<b>Total Drs</b>	<b>915</b>

<b>High Value</b>	152	(Above 30k)
<b>Low Value</b>	763	(Below 30k)
<b>Total</b>	<b>915</b>	

**0-30 days**

High Value	62
Low Value	468
<b>Total</b>	<b>530</b>

**More than 30 days**

High Value	90
Low Value	295
<b>Total</b>	<b>385</b>

**Debtors Matrix for Hotel XYZ:**

	High Value	%	Low Value	%	Total
<b>0-30 days</b>	62	41%	468	61%	<b>530</b>
<b>More than 30 days</b>	90	59%	295	39%	<b>385</b>
<b>TOTAL</b>	<b>152</b>	<b>100%</b>	<b>763</b>	<b>100%</b>	

As can be seen in the above tables, the following are the Findings:

- There were a Total of 152 High Value transactions and 763 Low value transactions in the given period under review.
- There were a Total of 530 Debtor transactions in the time period of "0-30 days" and a total of Debtor transactions for the period "More than 30 days"
- In the time period of "0-30 days" there were 62 Debtor transactions which were High Value and accounted for 41% of the Total number of High Value transactions in that period.
- There were also 468 Debtor transactions which were of Low Value and accounted for 61% of the Total number of Low Value transactions in that period.
- In the time period of "More than 30 days" there were 90 Debtor transactions which accounted for 59% of the Total number of High Value transactions in that period.
- There were also 295 Debtor transactions which were of Low Value and accounted for 39% of the Total number of Low Value transactions in that period.

Further breakup of transactions due for “More than 30 days.”

<b>Hotel XYZ</b>	<b>High Value</b>	<b>%</b>	<b>Low Value</b>	<b>%</b>
<b>31 to 60 Days</b>	17	19%	104	35%
<b>61 to 120 Days</b>	48	53%	104	35%
<b>More than 120 Days</b>	25	28%	87	30%
<b>TOTAL</b>	<b>90</b>	<b>100%</b>	<b>295</b>	<b>100%</b>

Out of the Debtor Transactions at Hotel XYZ that were due for "More than 30 days":

High Value Transactions:

- 17 transactions were due between "31 to 60 days" and accounted for 19% of transactions.
- 48 transactions were due between "61 to 120 days" and accounted for 53% of transactions.
- 25 transactions were due for "More than 120 days" and accounted for 28% of transactions.

Low Value Transactions:

- 104 transactions were due between "31 to 60 days" and accounted for 35% of transactions.
- 104 transactions were due between "61 to 120 days" and accounted for 35% of transactions.
- 87 transactions were due for "More than 120 days" and accounted for 30% of transactions.

## B) Accounts Payable (Creditors)

After conducting a detailed study of all Creditors of Hotel ABC and Hotel XYZ, the findings were as follows:

### 1) Creditors Ageing

**ABC Creditors Ageing**

Particulars	Amount (INR)	Percentage
0-30 days	XXX	97.0%
31-60 days	XXX	1.3%
61-90 days	XXX	0.6%
More than 90 days	XXX	1.1%
<b>TOTAL</b>	<b>XXX</b>	<b>100.0%</b>

**XYZ Creditors Ageing**

Particulars	Amount (INR)	Percentage
0-30 days	XXX	95.4%
31-60 days	XXX	1.8%
61-90 days	XXX	0.8%
More than 90 days	XXX	2.0%
<b>TOTAL</b>	<b>XXX</b>	<b>100.0%</b>

As can be seen in the tables above, Creditors Ageing was calculated for Hotel ABC and Hotel XYZ.

A majority of Creditors that are to be paid are in the Category of “0-30 days”

Hotel ABC has 97% of its Creditors that are due for less than 30 days.

Hotel XYZ has 95.4% of its Creditors that are due for less than 30 days.

### 2) Top 5 Creditors

ABC	INR	
Top 5 Creditors Total	XXX	26%
Total of all Creditors	XXX	

XYZ	INR	
Top 5 Creditors Total	XXX	39%
Total of all Creditors	XXX	

After preparation of a List of Top 5 Creditors, it was noted that:

In Hotel ABC, the Top 5 Creditors were due Rs XXX which accounted for 26% of the total amount due to the Creditors.

In Hotel XYZ, the Top 5 Creditors were due Rs XXX which accounted for 39% of the total amount due to the Creditors.

### 3) Nature of Business with Creditors

After analysing the nature of business with each creditor, it was noted that a majority of creditors to Hotel ABC and Hotel XYZ were

- Suppliers of food items such as Vegetables wholesalers
- Suppliers of fish, meats, poultry and milk
- Suppliers of wholesale beverages such as soft drinks and liquor items
- Commissions that are due to be paid to Travel Agents
- Rental charges to be paid to Taxi operators for transporting tourists which included cars and luxury buses.

Random samples were picked for examination of agreements with suppliers for various items in order to check the terms of agreement and terms of payment along with credit period agreed upon.

### C) Receipt of Advance Payments

An in-detail analysis of all Advance payments that were received at Hotel ABC and Hotel XYZ were examined and our findings were as follows:

Advances received at ABC and XYZ		
Particulars	ABC	XYZ
Total value of Advances received (in INR)	XXX	XXX
No. of Advance payments above INR.50,000	55	74
Number of advances above INR.1 Lakh received more than a year ago	5	3
Value of advances above INR.1 Lakh received more than a year ago (in INR)	XXX	XXX

The Total Value of Advance payments received at Hotel ABC were Rs. XXX and Hotel XYZ was Rs XXX

55 Advance payments were received in denominations above Rs.50,000 at Hotel ABC

74 Advance payments were received in denominations above Rs.50,000 at Hotel XYZ

5 payments at Hotel ABC and 3 payments at Hotel XYZ were received more than a year ago and the event has still not been accounted for. As per Companies Rules 2014, this money should have been either refunded or been recorded as Deposits in the Books of Accounts.

As per our finding this had not been done. It will be conveyed to the Management so that necessary action can be taken

### D) Cash Settlement transactions

All cash settlement transactions were duly verified and summarised as follows:

#### Cash Settlement Transactions for the months of January to March 2023

	ABC	XYZ
No. of Cash Settlement Transactions	1050	1318
Value of Cash settlement transactions in INR.	XXX	XXX

No. of Cash settlement transactions above INR.50,000	46	60
Value of Cash settlement transactions above INR.50,000	XXX	XXX

No. of Cash settlement transactions below INR.50,000	1004	1258
Value of Cash settlement transactions below INR.50,000	XXX	XXX

The above table shows the cash settlement transactions for the months of January to March 2023. The bifurcation shows the number and value of transactions “Above Rs 50,000” and transactions “Below Rs.50,000”



## Month wise Bifurcation of Cash Settlement Transactions:

Cash Settlement Transactions for the period

Months	ABC	XYZ
January	XXX	XXX
February	XXX	XXX
March	XXX	XXX
<b>TOTAL</b>	<b>XXX</b>	<b>XXX</b>

No. of Cash Settlement Transactions for the period

Months	ABC	XYZ
January	474	495
February	290	350
March	286	473
<b>TOTAL</b>	<b>1050</b>	<b>1318</b>

Cash Settlement Transactions above INR 50k

Months	ABC	XYZ
January	XXX	XXX
February	XXX	XXX
March	XXX	XXX
<b>TOTAL</b>	<b>XXX</b>	<b>XXX</b>

No. of Cash Settlement Transactions above INR 50k

Months	ABC	XYZ
January	17	21
February	12	15
March	17	24
<b>TOTAL</b>	<b>46</b>	<b>60</b>

Cash Settlement Transactions below INR 50k

Months	ABC	XYZ
January	XXX	XXX
February	XXX	XXX
March	XXX	XXX
<b>TOTAL</b>	<b>XXX</b>	<b>XXX</b>

No. of Cash Settlement Transactions below INR 50k

Months	ABC	XYZ
January	457	474
February	278	335
March	269	449
<b>TOTAL</b>	<b>1004</b>	<b>1258</b>

A detailed bifurcation was also made showing number of PAN card details that were entered and the transactions that did not have PAN card details even though they were above Rs. 50,000 and were paid in Cash. Corporate cash payments needed to have GSTIN details.

### E) TCS and TDS reconciliation

TCS and TDS was reconciled based on differences in amount only and a table was prepared

Differences observed in TCS

Trade name/Legal name of Collector	Total as per GST Portal	Total as per Books	Difference
A. Ltd	79,637	74,188	5,449
B. Ltd	24,995	23,582	1,413
C. Ltd	2,101	2,024	77
<b>TOTAL</b>	<b>1,06,733</b>	<b>99,794</b>	<b>6,939</b>

Differences noted in TCS amounts as per GST Portal and as per Books occurred due to non - timely recording of amounts in the Books of Accounts.

### F) Foreign Transactions

All transactions made by foreigners were examined and since they do not have a PAN card, their passport details were checked if payments were made above Rs.50,000.

## **4.9 Recommendations made**

### **A) Accounts Receivable**

In simple words, Debtors are people who owe us money. The longer they delay in re-paying, the longer we will remain in need for funds. When Debtors age for too long there can be many consequences such as:

1. Poor position of cash-flows as payments are not received in time.
2. It can also impact your ability of paying back your suppliers/creditors in time which could lead to delays in receiving goods or even payment of fines or interest for delayed payments to creditors.
3. If a few customers pay on time, you tend to be over-dependent on them if they are repeated customers.
4. There may be a situation wherein there is a fund crunch and you may have to borrow funds to pay your suppliers, etc.

Hence to avoid all of these plus many more reasons, it is important to have a proper Debtor Management policy in place.

Regular follow-ups should be done to make sure debtors pay within the allotted time by giving them constant reminders or even charging interest if payments are delayed beyond a certain time period.

Early detection of long overdue debtors is important to prevent them from turning into “Bad Debts” wherein the money cannot be recovered.

A proper schedule should be planned so as to manage Debtor payments and to make sure all debts are cleared at the earliest.

### **B) Accounts Payable**

It was satisfactorily noted that most creditors of Hotel ABC and Hotel XYZ were due for a period of less than 30 days or in other words within the credit period usually allowed.

It is equally important to pay back creditors in time so as to avoid any possible delays or shortages in supplies received or even fines or interest payments for delayed payments.

### **C) Advance Payments**

A proper system is currently in place for receipt of advance payments and all payments received are tracked by the Sales Team in the Advance Payment Tracking Sheet. However, an only drawback here was that some advances received more than a year ago were not recorded as “Deposits” in the Books of Accounts as per the Companies Rules 2014.

Hence a periodical tracking of Advances ageing for more than a year should be done so that they are either refunded or recorded as “Deposits” in the Books.

## **D) Cash Settlements**

A system is already in place for receipt of Cash Settlement transactions at Hotel ABC and Hotel XYZ. However, the only issue here was that some cases were found wherein PAN details of cash payments received above Rs. 50,000 were not available.

It is important to insist on PAN details for payments above Rs 50,000 so as to comply with the notification by the Central Board of Direct Taxes.

In cases where foreigners make payments, Passport details should be noted and for payments by companies, their GSTIN details are mandatory.

## **E) TCS and TDS**

In our reconciliation of TCS and TDS figures as per figures available on the GST Portal under Form 26, differences in figures were noted as entries are delayed in Books of Accounts while TCS and TDS entries have already been made in the portal.

There needs to be a system in place to avoid any such differences in figures by ensuring entries are simultaneously made in the Books as well as the Portal and on a timely basis.

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## **Learnings derived and my Internship experience**

My internship experience at MARC was one filled with learnings and some much-needed industrial experience in a professional environment. Working on projects for different clients as well as interacting with the staff who were working on other different projects for different clients gave me an understanding of the functioning of various industries in the economy.

One important learning for me was the importance of Teamwork in executing projects. All the projects that I worked on were undertaken in teams that were made for every project from the initial stage until the time of submission to the client. Undertaking projects that involve a lot of research to be done highlights the importance of all members in a team in a way that all contribute with their inputs so that the final output is maintained as per the set standards. Coordination among all members is essential to ensure timely completion of projects as per deadlines set and also to fulfill the customer's requirements and expectations.

The Feasibility Studies gave me an understanding of the overview of different industries which included the Agriculture sector in India, the Defence sector in the USA, Canada and Israel and the Electronics Manufacturing Services (EMS) sector globally with a special focus on India. This has given me a broad perspective of the functioning of different industries which is very essential for an MBA graduate.

The AR-AP Audit on the other hand gave me an understanding as a Finance student how important it is to examine all transactions so that all compliances are followed and accuracy is maintained to ensure smooth functioning of a business. I got a chance to interact with highly ranked officials during my Audit visits to the Hotel which were on a weekly basis and were filled with valuable learnings about the functioning of the Hospitality sector and the accounting processes.

## **CONCLUSION**

Overall, I must say it was an enriching and memorable experience for me and along with grasping as much of the learnings that I could, I was glad that I could also contribute in the projects undertaken by giving in my inputs. This Internship has given me a broader perspective about the corporate life and has developed me as an individual and also prepared me for the challenges ahead as an MBA student that is graduating from college.