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## CORPORATE SOCIAL RESPONSIBILITY OF NATIONAL ALUMINIUM COMPANY LIMITED THROUGH VALUE ADDED REPORTING

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### ABSTRACT:

*This paper tries to present the Value Added Reporting which is new means of presenting the financial statement that helps managerial body to show off their social performance. Though Value Added Reporting is not mandatory now a days, many companies in India have stated to prepare Value Added statement as a part of Annual Report. Value Added Reporting helps firm to show their value addition and its usefulness for workers, Governing body, capital providers and reinvestment by the firm itself. In compare to traditional measure, VAR is more societal approach. In this regard this paper attempt to*

*explain Corporate Social Responsibility by NALCO Limited through Value Added Reporting, from 2012-13 to 2016-17.*

**KEYWORDS:** Accounting System, Value Added Statement, Application of Value Added, Corporate Social Responsibility (CSR).

### Section – I

#### INTRODUCTION

Accounting is the process of recording classifying, analyzing and interpreting the business transaction which contains financial information of business. Hence “Accounting is a language of business.” In order to run any unit efficiently & to secure the best position of a enterprise, these records should be checked periodically to know the entire situation. This position should ultimately communicate to the stakeholder of the firm. Such communication is made via corporate reporting process. The importance of such

reports has gain a tremendous change over the recent years. The pioneer users of these reports are equity shareholders, debenture holders, bankers, and finance providers, Income tax department, government and many other interested parties. The essence of survival of any enterprise is that they must generate the wealth, in this regard “Value added is a root tool to evaluate financial results of the business. It judges the producer or businesses during a specific period of time. A business may run without gain, but it is difficult to survive without value addition. Value added is better tool of financial performance than traditional tool which is based on conventional financial reporting system(i.e. based on income statement and balance

sheet) and can be particularly useful for stakeholder holder oriented approach, which in further allows extra useful conversation with workers, government, capital provider and the real owner. If investment is fail to create any addition, it only means that top body is not utilizing the raised fund efficiently. Hence Value added has the direct relation with business performance.

### Section II

#### Company Profile National Aluminium Company Limited

National Aluminium Company Limited (NALCO) is a Navratna CPSE under Ministry of Mines. It was founded on January 7, 1981 in the public sector based in Bhubaneswar.

## Section – II

### RESEARCH METHODOLOGY Data Collection

The Researcher has collected five years Financial Results of NALCO Ltd. For years 2012-13 to 2016-17. the secondary data are collected from the Annual Report of the NALCO Ltd.

### Tools of Analysis

The collected data are analyze in two ways

- (1) Value Added Statement.
  - a. Generation of Value Added and b. Application of Value Added
- (2) Value Added Ratios
  - a. Gross Margin Ratio
  - b. Net Value Added to Government Contribution Ratio
  - c. Net Value Added to Employees Share Ratio
- (3) Statistical Tools:
  - a. Mean
  - b. Coefficient of correlation c. T - Test

### Objectives Of The Study

- Following objectives are set to carry out the research. (1) To get the idea of Value Added Reporting (2) To analyze the social performance NALCO Limited through Value Added Reporting (3) To compare the last Five years Social performance of NALCO Limited.

### Hypothesis of the Study

The following hypotheses are set for this study:

#### I. Null Hypothesis (H0)

- (1) There is no significant difference between Revenue from Operation and Gross Value Added. (2) There is no significant difference between Revenue from Operation and Net Value Added.

#### II. Alternative Hypothesis (H1)

- (1) There is significant difference between Revenue from Operation and Gross Value Added. (2) There is significant difference between Revenue from Operation and Net Value Added.

### Limitation of the Study

- (1) This research contains the study of only Bajaj Auto Ltd.
- (2) Analysis are made based on the five years data from 2012-13 to 2016-17.

### REVIEW OF LITERATURE:

The researcher has studied following works:

- (a) Dr.M. Rao, published a book entitled "Value Added Reporting-in Theory, Practice and Research". In his research he studied VAS, RATIO Application of VA, of Steel Authority of India, and finally made the constructive suggestion for the SAIL
- (b) Ravi M. KISHORE is author of "Advance Management Accounting" published by Taxmann Publishing Company, New Delhi (2005). This book includes the Conceptual frame work of generation of Value Addition and its application and has given the specimen of value added statement.
- (c) Dr. SanjayJ. Bhayani made a research on "Practical Financial State ment Analysis" which include the study of eighteen companies manufacturing enterprise covering the year from 1991-1997. He also evaluated the financial capital structure and VAR. Finally he had made the various suggestion to enhance the financial position of the firm.
- (d) Dr.Pradeep Singh, has written an article entitled "The Management Accountant, August, 2008." On The value added reporting with the title "Social Performance through Value Added Reporting"--An Empirical study of Lupin Lab. Ltd. By the value added reporting from 1995-96 to 2004-05. On the basis

of the study he reached at the conclusion that the company has serve society up to the mark and had also kept the required fund for the future development.

### Section - IV Analysis & Interpretation Value Added Reporting

NATIONAL ALUMINIUM COMPANY LIMITED					
VALUE ADDED STATEMENT					
GENERATION OF VALUE ADDED	2016-17	2015-16	2014-15	2013-14	2012-13
<b>GROSS REVENUE FROM OPERATION</b>	8050.02	7269.2	7891.53	7156.32	7354.2
ADD: OTHER INCOME	408.27	536.64	672.64	557.71	511.05
<b>TOTAL REVENUE(A)</b>	<b>8458.29</b>	<b>7805.84</b>	<b>8564.17</b>	<b>7714.03</b>	<b>7865.25</b>
<b>LESS: COST OF BOUGHT IN MATERIAL AND SERVICES(B)</b>	<b>4690.9</b>	<b>4450.85</b>	<b>4232.34</b>	<b>4582.32</b>	<b>4827.64</b>
<b>GROSS VALUE ADDED (A-B)</b>	<b>3767.39</b>	<b>3354.99</b>	<b>4331.83</b>	<b>3131.71</b>	<b>3037.61</b>
LESS: DEPRECIATION	480.36	424.09	413.66	524.73	505.43
<b>NET VALUE ADDED</b>	<b>3287.03</b>	<b>2930.9</b>	<b>3918.17</b>	<b>2606.98</b>	<b>2532.18</b>
APPLICATION OF VALUE ADDED	2016-17	2015-16	2014-15	2013-14	2012-13
<b>(A) PAYMENT TO EMPLOYEES</b>	<b>1537.44</b>	<b>1361.37</b>	<b>1377.91</b>	<b>1245.33</b>	<b>1153.93</b>
<b>(B) PAYMENT TO GOVERNMENT</b>	<b>818.3</b>	<b>927.84</b>	<b>1146.32</b>	<b>714.12</b>	<b>752.22</b>
<b>(C) PAYMENT TO CAPITAL PROVIDERS</b>					
FINANCE COST	2.69	1.21	-	-	7.45
DIVIDEND TO SHAREHOLDER	451.02	515.45	451.02	386.59	322.15
<b>TOTAL(C)</b>	<b>453.71</b>	<b>516.66</b>	<b>451.02</b>	<b>386.59</b>	<b>329.6</b>
<b>(D) RETAINED IN THE BUSINESS</b>	<b>477.58</b>	<b>125.03</b>	<b>942.92</b>	<b>260.94</b>	<b>296.43</b>
<b>NET VALUE ADDED (A+B+C+D)</b>	<b>3287.03</b>	<b>2930.9</b>	<b>3918.17</b>	<b>2606.98</b>	<b>2532.18</b>

(ALL FIGURES ARE ₹ IN CRORE)

Value Added Statement have major two divisions.

- (1) Generation of Value Added and
- (2) Application of Value Added.

#### Testing of Hypothesis of the Study

The following hypotheses are framed for this study:

#### Null Hypothesis (H0)

##### I. Null Hypothesis (H0)

- (1) There is no significant difference between Revenue from Operation and Gross Value Added. (2) There is no significant difference between Revenue from Operation and Net Value Added.

##### II. Alternative Hypothesis (H1)

- (1) There is significant difference between Revenue from Operation and Gross Value Added. (2) There is significant difference between Revenue from Operation and Net Value Added.

### Testing hypothesis 1

A coefficient of correlation is calculated between two variables Revenue from operation(X) and Gross value added(Y) it is  $r_1(x, y) = 0.81$  that shows high degree correlation between Revenue from operation and Gross Value Added.

Significance of correlation will also be tested through Student T- test as:-

$$T(\text{cal}) = 13.51$$

$$T(\text{tab}) = 2.36 \text{ at } 5\% \text{ level of significance.}$$

Calculated value of  $T_c = 13.51$  which is more as compared to critical value of  $T_t = 2.36$  at 5% level of significance. Hence, null hypothesis rejected that means there is significant correlation between Revenue from operation and Gross Value Added.

### Testing of hypothesis 2

A coefficient of correlation is calculated between two variables Revenue from operation(X) and Net value added (Z) it is  $r_2(x,z) = 0.80$  that shows high degree of correlation between Revenue from operation and Net value added.

Significance of correlation will also be tested through Student T- test as:-

$$T(\text{cal}) = 14.46$$

$$T(\text{tab}) = 2.36 \text{ at } 5\% \text{ level of significance.}$$

Calculated value of  $T_c = 14.46$  which is more as compared to critical value of  $T_t = 2.36$  at 5% level of significance.

Hence, null hypothesis rejected that means there is significant correlation between Revenue from operation and Net Value Added.

### Value Added Ratio of Baja Auto Limited

The Gross Margin Ratio in Bajaj Auto Limited have been analyzed and calculated for the study period which has been represented in Table - 1 given below.

FORMULA

$$\text{Gross Margin} = \frac{\text{VALUE ADDED}}{\text{REVENUE FROM OPERATION}} \times 100$$

Here,

Value Added is considered as Net Value Added (NVA)

Table - 1 reveals that in NALCO Limited Gross Margin ratio shows fluctuating trend during the period of study. It was the lowest level at 34.43 % in 2012-13 and highest at 49.65 % in the year 2014-15.

### Section - V

**Table-1 Various Ratios**

Years	Gross Margin Ratio	Employee Benefit To NVA	Government Share to Net
2016-17	40.83	46.77	24.89
2015-16	40.32	46.45	31.66
2014-15	49.65	35.17	29.26
2013-14	36.43	47.77	27.39
2012-13	34.43	45.57	29.71
AVERAGE	40.33	44.35	28.58

## CONCLUSION

From the above analysis researcher have concluded that Gross Value Added show the increasing trend during the period of study.

### In NALCO Limited.

The absolute figure of Revenue from operation shows fluctuation throughout the period of study from 2012-13 to 2016-17. It was at ₹7354.2 crore in 2012-13. It decreased to ₹7156.32 crore in 2013-14. ₹7891.32 crore in the year 2014-15, it further increased to ₹7269.2 crore in 2015-16 and finally it reached at ₹8050.02 crore in 2016-17.

The percentage of other income towards Total Revenue was 6.50% in 2012- 13, which shows fluctuating trend from year to year. It increased to 7.23% in 2013-14. It was 7.85% in 2014-15, it increased to 6.87% in 2015-16 and finally it reached to 4.83% in year 2016-17.

The absolute amount of other income registered fluctuating trend during the period of study. It was ₹511.05 crore in 2012-13. It was ₹557.71 crore 2013-14. It increased up to ₹672.64 crore in 2014-15. It decreased up to ₹536.64 crore in 2015-16. And finally it reached at to ₹408.27 crore in 2016-17.

The Cost of Bough-in-Material and the Services toward Total Revenue shown in terms of percentage registered fluctuating trend during the study period. It was 61.38% in 2012-13. It was 59.40% in 2013-14. It increased and reached up to 49.42% in 2014-15. It further reached to 57.02% in 2015-16 and it finally reached and decreased to 55.46% in 2016-17.

The absolute amount of cost of material bought in showed fluctuating trend during the period of study. It was ₹4827.64 crore in 2012-13. It was ₹4582.32 crore in 2013-14. It decreased to ₹4232.34 crore in 2014-15. It reached level at ₹4450.85 crore in 2015-16. And finally it reached ₹4690.90 crore in 2016-17.

### SUGGESTIONS:

- (1) NALCO Ltd should control the cost to maximize its NVA.
- (2) NALCO Ltd should reduce administrative cost selling and marketing cost to increase the Net Value Added.
- (3) NALCO Ltd should transfer more for fund future development by reducing the unnecessary expenses.
- (4) NALCO Ltd required to put emphasis on employee's benefit to boost up their morale through attractive schemes.

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