



## CORPORATE SOCIAL RESPONSIBILITY OF GODREJ CONSUMER PRODUCT LIMITED THROUGH VALUE ADDED REPORTING

**Mr. Anand K. Soni**

(M.Com.M.Phil.B.Ed) (Ph.D Research Scholar) Teacher in accountancy  
Charotar English Medium School, Anand.



### ABSTRACT:

*This paper tries to present the Value Added Reporting which is a 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 application towards Employees, Government, Capital providers and retained by the firm himself. In compare to traditional measure, VAR is more societal approach. In this regard this paper attempts to explain Corporate Social Responsibility by Godrej Consumer Product 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).

### INTRODUCTION

Accounting is the process of recording classifying, analysing and interpreting the business transaction which contains financial information of business and of. Hence "Accounting is a language of business." In order to run any unit efficiently & to secure the best position of an 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 gained 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 a 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 oriented approach, which in further allows extra useful conversation with workers, government, capital provider and the real owner. If investment fails to create any addition, it only means that top body is not utilising the raised fund efficiently. Hence Value added has the direct relation with business performance.

### COMPANY PROFILE

Godrej Consumer Product Limited is one of the leading companies in the Indian Fast Moving Consumer Goods market in the field of personal, Hair, Household and Fabric care area. GCPL is the biggest firm in the toiletry products in the country with approved brands such as, Fairglow, Godrej No 1 and Cinthol.

---

## RESEARCH METHODOLOGY

### Data Collection

The Researcher has collected five years Financial Results of Godrej Consumer Product Ltd. For years 2012-13 to 2016-17. The secondary data are collected from the Annual Report which is published on the official website of the company.

### Tools of Analysis

The collected data are analysed in two ways

- (1) Value Added Statement.
  - a. Generation of Value Added and
  - b. Application of Value Added
- (2) Value Added Accounting 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. Student T- Test

### Objectives of The Study

Following objectives are set to carry out the research.

- (1) To have idea of Value Added Reporting
- (2) To analyse the social performance GCPL through Value Added Reporting
- (3) To compare the Social performance of GCP Ltd. for the year 2013 to 2017

### 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 of GCPL.
- (2) There is no significant difference between Revenue from Operation and Net Value Added of GCPL.

#### II. Alternative Hypothesis (H1)

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

### Limitation of the Study

- (1) This research contains the study of only Godrej Consumer Product Limited.
- (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:

- (1) 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

- (2) Ravi M. KISHORE is author of "Advance Management Accounting" published by Taxmann Publishing Company, New Delhi (2005). This book includes the Conceptual framework of generation of Value Addition and its application and has given the specimen of value added statement.
- (3) Dr. Sanjay J. Bhayani made a research on "Practical Financial Statement 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 to enhance the financial position of the firm.
- (4) Dr.PradeepSingh, 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.

## ANALYSIS & INTERPRETATION VALUE ADDED REPORTING

### GODREJ CONSUMER PRODUCT LTD VALUE ADDED STATEMENT

GENERATION OF VALUE ADDED	2016-17	2015-16	2014-15	2013-14	2012-13
GROSS REVENUE FROM OPERATION	9608.8	9274.03	8549.5	7822.94	6615.55
ADD: OTHER INCOME	75.3	81.95	91.51	62.71	67.78
<b>TOTAL REVENUE(A)</b>	<b>9684.1</b>	<b>9355.98</b>	<b>8641.01</b>	<b>7885.65</b>	<b>6683.33</b>
<b>LESS: COST OF BOUGHT IN MATERIAL AND SERVICES(B)</b>					
COST OF MATERIAL CONSUMED	3801.91	3436.05	3370.75	2967.62	2655.98
PURCHASE OF STOCK IN TRADE	463.94	501.36	435.73	536.68	451.03
CHANGE IN INVENTORIES	-133.33	-91.9	35.04	50.38	-155.89
OTHER EXPENSES	2201.85	2479.19	2237.48	2099.02	1857.67
<b>TOTAL (B)</b>	<b>6334.37</b>	<b>6324.7</b>	<b>6079</b>	<b>5653.7</b>	<b>4808.79</b>
<b>GROSS VALUE ADDED (A-B)</b>	<b>3349.73</b>	<b>3031.28</b>	<b>2562.01</b>	<b>2231.95</b>	<b>1874.54</b>
LESS: DEPRECIATION	141.57	103.11	90.78	81.85	77
<b>NET VALUE ADDED</b>	<b>3208.16</b>	<b>2928.17</b>	<b>2471.23</b>	<b>2150.1</b>	<b>1797.54</b>
APPLICATION OF VALUE ADDED	2016-17	2015-16	2014-15	2013-14	2012-13
<b>(A) PAYMENT TO EMPLOYEES</b>					
(i) EMPLOYEE BENEFIT EXPENSES	988.46	959.92	776.95	748.87	590.68
<b>TOTAL(A)</b>	<b>988.46</b>	<b>959.92</b>	<b>776.95</b>	<b>748.87</b>	<b>590.68</b>
<b>(B) PAYMENT TO GOVERNMENT</b>					
(i) EXCISE DUTY	340.89	306.22	273.14	220.53	208.11
(ii) CURRENT TAX	369.17	327.12	286.09	216.71	191.88
(iii) EXCISE DUTY ON INVENTORIES	-	23.09	19.62	16.27	8.36
(iv) RATE AND TAXES	34.81	36.76	33.16	30.52	15.12
<b>TOTAL(B)</b>	<b>744.87</b>	<b>693.19</b>	<b>612.01</b>	<b>484.03</b>	<b>423.47</b>
<b>(C) PAYMENT TO LENDERS</b>					
FINANCE COST	145.22	100.17	100.15	107.37	77.45
<b>TOTAL(C)</b>	<b>145.22</b>	<b>100.17</b>	<b>100.15</b>	<b>107.37</b>	<b>77.45</b>
<b>(D) RETAINED IN THE BUSINESS</b>					
(i) DEFFERED TAX	9.99	-10.02	-13.8	-6.34	-12.7
(ii) PROFIT AFTER TAX	1307.07	1185.72	993.6	813.43	716.53
(iii) PROVISION FOR DOUBTFUL DEBTS	12.55	-0.81	2.32	2.74	2.11
<b>TOTAL (D)</b>	<b>1329.61</b>	<b>1174.89</b>	<b>982.12</b>	<b>809.83</b>	<b>705.94</b>
<b>NET VALUE ADDED(A+B+C+D+)</b>	<b>3208.16</b>	<b>2928.17</b>	<b>2471.23</b>	<b>2150.1</b>	<b>1797.54</b>

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

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

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

#### Testing hypothesis 1

The value of Co-efficient of Correlation between Revenue from operation (A) and NVA (B) is  $r_1(A,B) = 0.97$  which can be interpreted that there is high degree correlation among Revenue from Operation and GVA.

It was further statistically tested by students T-test

T (calculated) = 9.62

T(tabulated) = 2.45 at 5% level of significance.

Null hypothesis will be rejected as Calculated value of  $T_c = 10.96$  which is higher than the critical value 2.57 at 5 percentage level of significance.

#### Testing of hypothesis 2

The value of Co-efficient of Correlation between Revenue from operation (A) and NVA (B) is  $r_2(A,B) = 0.98$  which can be interpreted that there is high degree correlation among Revenue from Operation and NVA.

It was further statistically tested by students T-test

T (calculated) = 9.87

T(tabulated) = 2.45 at 5% level of significance.

Null hypothesis will be rejected as Calculated value of  $T_c = 9.87$  which is higher than the critical value 2.45 at 5 percentage level of significance.

#### Value Added Ratio of Godrej Consumer Product Limited

The Gross Margin Ratio in Godrej Consumer Product Limited have been analysed 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 Godrej Consumer Product Limited. Gross Margin ratio shows increasing trend during the period of study. It was the lowest level at 25.54 % in 2012-13 and highest at 33.18% in the year 2016-17.

## Section – V

Table-1 Various Ratios

Years	Gross Margin Ratio	Employee Benefit To NVA	Government Share to Net Value Added
2016-17	33.39	30.81	23.22
2015-16	31.57	32.78	23.67
2014-15	28.90	31.44	24.77
2013-14	27.48	34.83	22.51
2012-13	27.17	32.86	23.56
AVERAGE	29.7	32.54	23.55

**CONCLUSION**

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

**In Godrej Consumer Product Limited.**

- The absolute figure of Revenue from operation marked continuously increased throughout the period of study from 2012-13 to 2016-17. It was the lowest figure at ₹6615.55 crore in 2012-13. It increased to ₹7822.94 crore in 2013-14. ₹8549.5 crore in the year 2014-15, it further increased ₹9274.03 crore in 2015-16 and finally it reached at ₹9608.80 crore in 2016-17.
- The absolute amount of cost of material bought in showed increasing trend during the period of study. It was ₹4808.79 crore in 2012-13. It was ₹5653.7 crore in 2013-14. It increased to ₹6079 crore in 2014-15. It reached level at ₹6324.7 crore in 2015-16. And finally it reached ₹6334.37 crore in 2016-17.
- The absolute figures of Payment to Employees shows increasing trend during the period of study. It ranges between ₹590.68 crore in 2012-13 to ₹988.46 crore in 2016-17. It was ₹748.87 crore in 2013-14. It increased to ₹776.95 crore in 2014-15. It further increased to ₹959.92 crore in 2015-16. That shows during that period a usually constant growth followed by the company.
- The absolute figures of Contribution to Governments shows fluctuating trend during the period of study. It was at ₹423.47 crore in 2012-13, it increased to ₹484.03 crore in 2013-14, it increased to ₹612.01 crore in 2014-15. It further increased to ₹693.19 crore in 2015-16. And finally it increased at ₹744.87 crore in 2016-17.
- The absolute amount of Payment to Lender fluctuating trend during the period of study. It was ₹77.45 crore in 2012-13 it increased to ₹107.37 crore in 2013-14. It reached level at ₹100.15 crore in 2014-15. It was ₹100.17 crore in 2015-16. Finally it reached level at ₹145.22 crore in 2016-17.
- The absolute figure of Retained in Business shows increasing trend during year 2012-13 to 2016-17. It was ₹1797.54 crore in 2012-13, ₹2150.1 crore in 2013-14. It increased to ₹2471.23 crore in 2014-15. It further decreased to ₹2928.17 crore in 2015-16. After then it was the highest level at ₹3208.16 crore in 2016-17.

**SUGGESTIONS:**

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

**BIBLIOGRAPHY**

1.P.MOHANA RAO "CorporateSocialAccounting&Reporting"—Deep&Deep Publication by pp.24-30

2. William E. Halal "A return on resource model of Corporate Social Responsibility" California Management Review 1977.
3. Francis Cherunillm "BUSINESS ENVIRONMENT"
4. P. Mohana Rao "Value Added Reporting" by , Deep & Deep publication Pvt. Ltd.
5. P. Mohana Rao "Value Added Reporting": In Theory, Practices and Research", Deep & Deep publication Pvt. Ltd.
6. Dr. N.P. Agrawal "Analysis and Interpretation of Value Added Statements"
7. Marx, Karl: "Theories of surplus value" as published in history economic theories, New York: Langland press.
8. Dillard, Dudley : The Economics of J.M. Keynes, New Delhi : Vikas Publishing House Pvt. Ltd. Ed. 1979, P.67
9. Wannacott, Paul and Wannacott, Ronald: Economics, McGraw – Hill Book Company, III Edition, 1986,.
10. Marshall, Alfred: Principles of Economics, 8th Ed. London, 1936,.
11. Powelson, John : National Income and Flow of Fund Analysis, New York: Mc- Graw-Hill Co., 1960,
12. Ruggles, R: National Income and income analysis, New Year, Mc – Hill Book Co, 1949.
13. S.N. Chakraborty, . "Value Added its Meaning & Application"
14. John Size, "An Insight into Management Accounting"
15. Ravi M. Kishore "Advanced Management Accounting", .
16. Brech E.F.L. "Principals & Practice of Management"
17. E.S. Wood, 'Added Value' : The key to prosperity. Business books 1978.
18. Lewis, Richard and Rendrill, David: Advanced Financial Accounting, London: Pitman Publishing Ltd., 1987,.
19. Sizer, Hohn : an insight into Management Accounting, London: Pitman publishing Ltd., 1979, .
20. Brayant, Rogof: Accountancy, London: Graham and Trotman Ltd. , 1985,.
21. Brown J.L & Howard L.R. "Managerial Accounting and Finance" by
22. Batra G.S. "Recent Trends in Accountants" by
23. Pramanik, Alok Kumar; and P.K. Agrawal, 1997, "Value Added statement; Need for standardization and statutory in corporation", the Indian journal of commerce, Vol. L. No. 192, Part III, September,.
24. Anthony. Robert N. Management Accounting Text and cases, third Edition, 1964,.
25. Hunt Pearson, Charles M. Williams and Gordon Donald, Basic, Business Finance Text and Cases (Homewood, Illinois: Richrd D. Irwin Inc. 1966 ).
26. J. Betty, Management Accountancy (London Mac Donald and Evans Ltd. Inc. 1963 ).
27. Mukharejee A. and Mohd. Hanif: The Preparation of VAS , the Management Accountant, Vol-219, November 1994.
28. Lewis, Richard and Pendrill, David: "Advance Financial Accounting", London pitman publishing Co. Ltd. 1987.
29. Brown J.C. and Howard L.R.: "Managerial Accounting and Finance", London, the English language book society 1987.
30. C.R. Kothari: "Research Methodology", New age International publishing company, New Delhi (2008).
31. Ravi .M. Kishore "Financial Management Tax and Cases" taxman publishing company, New Delhi (2005).