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CONTENTS

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STATEMENT OF THE PROBLEM
OBJECTIVES
HYPOTHESIS (ES)
RESEARCH METHODOLOGY
RESULTS & DISCUSSION
FINDINGS
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- Bowersox, Donald J., Closs, David J., (1996), "Logistical Management." Tata McGraw, Hill, New Delhi.
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PREPARATION AND ANALYSIS OF VALUE ADDED STATEMENT OF VISAKHAPATNAM PORT TRUST

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ABSTRACT
In India, over the past there are several changes that had occurred in the presentation of corporate reporting, in terms of presentation of its financial reports. Presentation of 'Value Added Statement' along with the common financial reports has become a common practice. The research indicates that social accounting theories can best be used to motivate the organizations in the publication of the value added statement. 'Value Added Statement' shows the wealth created and its allocation to the key productive resources and it provides a mode of understanding the responsibility of different stakeholders of an organization in creating and maintaining 'Value Addition'. Presentation of Value Added Statement, as well with the regular financial statements will assist the management in making economic decisions, used as a performance indicator. it is also used to increase the accurate and fair examination of their financial position during a specific period. This fact is to include the value added statement in a separate social reporting. The value added statement might provide an informative advantage with limited marginal costs because the performance report can be disclosed with figures already recognized in the income statement.

KEYWORDS
social reporting, value added statement.

INTRODUCTION
An organisation, which operates in a society, affects the socio and economic welfare of the entire community. Organizational activities are very conscious, in satisfying the needs of their stakeholders. Value Added is a concept, which helps to appraise the performance of an organization in terms of wealth created for a specific period by the combined efforts of the organization's stake holders, i.e. employees/human resources, creditors/ providers of capital, government. Each stakeholder contributes to the generation of value added and at the same time gets a proportionate share in value added.
R. R. Gillchrist (1970), North American Census of Production was a place where the value added concept was used initially in the year 1790. W.W. Suojanen was the first person, who used the value added concept in terms of accounting, under his research work on "Accounting theory and the large corporation- An Accountant's role", value added is a concept of income measurement, with the help of income statement and balance sheet. Value Added Statement is used to report the results to various interested parties W.W. Suojanen (1954).
According to ICAI (1985) Value added is the improvement in market value brought about by an alteration in the form, location or availability of a product or service excluding the cost of bought-in-materials and services, this can be expressed in the following equation:
Value added = Value after alteration – Value before alteration.
The word value added may be defined as the value of sales less the bought-in-goods and services expenditure used in producing that sales value J.L. Brown & L.R.Howard (1992)
According to C.J. Van Staden (2000) Value added is the value created by the activities of an organization and its employees, i.e., sales revenue less the cost of bought in goods and services, the calculation of value added and its application among the stakeholders of the organization was done with the help of Value Added Statement (VAS) reports. VAS reports presents the information in a more theoretical, logical and understandable way.

INTRODUCTION TO VALUE ADDED STATEMENT (VAS)
Value Added Statement functioned as a part of workers participation orientation towards the management's economic performance of an organization in the United Kingdom. S.Burchell, C. Clubb & A.G. Hopwood (1985)
According to The Corporate Report, Value Added Statement represents how the value or worth created or generated by an entity is shared or distributed among different stakeholders. Thus, the concept of Value Added Statement represents a shift in a new route for financial reporting ASSC (1975)
Value Added Statement is a statement, which shows the size of 'value added cake' and how the 'cake' has been divided amongst the various stakeholders J.Sizer (1979)
Value Added Statement (VAS) reveals the value added by an organization with which, it has been able to produce and its allocation among those contributing to its generation known as stakeholders ICAI (1985)
Value Added Statement (VAS) is in fact designed as a supplementary to the financial reports, as a new dimension to the existing corporate financial accounting system and which is reporting through the disclosure of additional information regarding the amount of wealth created by an organization for a financial accounting period P.M.Rao (1999)
The official acknowledgment of the Value Added Statement (VAS) was primarily made in a discussion, article entitled "The Corporate Report" which was published by the Accounting Standards Steering Committee of the UK in 1975 A.K.Basu (1992)
Value Added Statement (VAS) is defined as the performance of an organization during a specific period of time, and to what extent the organization has added value to its capital providers, who have contributed towards the generation of value added R.S.Agarwal (1993)
A business venture especially a company is conscious, purposeful in its creation for satisfying the requirements of the society at large, as it is a sovereign and a separate legal entity. The joint efforts of the stakeholders namely- employees, government, shareholders, creditors, plays vital role for survival and growth of an organization as well as wealth created by the organization. All these stakeholders are the parties to whom the result of operations of business is communicated P.M.Rao (2001)

REASONS FOR THE PUBLICATION OF THE VALUE ADDED STATEMENT
Value Added which represents in Value Added Statement can be used to gauge the performance of the business in an improved way. There is an evidence that the meaning and significance of profits are widely misunderstood, when using the traditional financial accounting system. In such a situation value added may be regarded as a preferable method for describing performance.

According to M.F.Morley (1978) Profit-based reporting is likely to be more subjective in nature ; on the other hand, product-based reports are more objective in nature. Preparation of Value added statement puts the profit in a different way and focuses attention on the success of an organization, in creating and increasing its wealth. Which is used in computing the national income. There is an ease of understanding and creating a greater awareness to the general public in knowing the role of an organization and society at a large by their capacity in the production of goods and services.

According to M.F.Morley (1978) for the Employees or the workforce, the value added statement is very much useful since the draw backs of the conventional reporting of Profit and Loss accounting.

The income statement, apart from being more complex than a value added statement, is not of particular relevance to the employees. The optimize value added is more meaningful than optimize profit because added value determiners reward for employees as well as providers of organizational capital C.J.Van Staden & Q.Vorster (1998)

R.Gray et.al(1996) Value Added Statement, is much more useful in improving the morale and the attitudes of the employees towards their services to the organization, who gave them employment. Human behavioural patterns are very complex and changes according to the situation and moreover, influenced by several factors. Simply presenting the Value Added Statement as a supplementary statement, does not guide human attitude and behavior.

ASSUMPTIONS IN PREPARATION OF VALUE ADDED STATEMENT

According N.Mandal & S.Goswami (2008) assumptions be made to compute the value added during the preparation of Value Added Statement (VAS)

1. Value Added Statement is not a replacement but a supplement to the regular Profit and Loss Account.
2. The preparation of Value Added Statement is based on the data presented in the traditional accounting system.
3. The Principles, concepts and conventions of traditional accounting system remains the same, in the preparation of Value Added Statement
4. It is easy to prepare the Value Added Statement from the traditional profit and loss account, but in practical, there is huge difference between these statements. Only because profit and loss account contains only non-value added items, but in case of Value Added Statement preparation only value added items will be considered.

CALCULATION AND CLASSIFICATION OF VALUE ADDED

Value Added may be classified into two categories:

- Gross Value Added (GVA) which refers to sales plus income from other services less bought in materials and services purchased from outsiders; and
- Net Value Added (NVA), which refers to the difference between GVA and Depreciation. In other words, NVA is the sum of the value added to employees, to providers of loan capital, to Government and to owners. C.J.Van Staden(1999b)

1. Bernard Cox suggested the following two methods for computing Gross Value Added (GVA) B.Cox (1979)

i) Additive method: under this method gross value added is computed by using the n
following equation –
GVA= PBT+ EC + D + I …………….(1)
Where, PBT= Profit Before Taxes, D = Depreciation
EC = Employee Cost and I = Interest

ii) Subtracting method: under this method Gross Value Added (GVA) is calculated by
using the following equation:
GVA= S + IS – CBGS ………………… (2)
Where, S = Sales
IS = Income from Services
CBGS = Cost of Bought–in-goods and services

2. According N.Mandal & S. Goswami (2008) Studneski Paul suggested following two methods for calculating Net Value Added:

i) Income Distribution Method: In this method Net Value Added (NVA) is determined
by the following equation:
NVA= VAW+ VAG + VAF + VAE ……………….. (3)
Where, VAW = Value added to workers/employees, VAG = Value added to Government,
VAF = Value Added to Financer, VAE = Value Added to Entity.

ii) Net output method: under this Net Value Added is determined by the following equation
NVA= GVA– D
= (S+IS) – CBGS – D …………………… (4)
where, S = Sales, IS = Income from other services, CBGS = Cost of bought-in-goods ad services and D = Depreciation.

3. Accounting Standard Steering Committee (ASSC) suggests a formula for computing Value Added (VA), which is as follows:

VA= a – b = c + d + e + f ……………………..(5)
Where, VA= Value Added, a = Turnover, b = Bought-in-materials and services, c = employees wages and other benefits, d = Dividend and Interest payable, e = Tax payable and f = Retained profit.

THE IMPORTANT ELEMENTS OF VALUE-ADDED ANALYSIS

According to S.Aravanan (2005), the important elements of value added analysis are as follows:

- Value added is a concept, which is based on a self-sustaining economic activity;
- Value added uses basis of remuneration to staff;
- Value added is used as a basis for financing the budget;
- Value added is the basis to increase reserves and surpluses for the entity

TABLE 1: SKELETON STATEMENT OF VALUE ADDED

Particulars	Amount (Rs.)
A. Generation of Value Added:	
Sales/Turnover (Including excise duties and sales tax excluding Returns, rebates & discounts etc.)	***
± Stock of semi-finished and finished goods Production value	***
Add: Income from services	***
Less : Bought-in-goods and services purchased from outsiders	***
Gross Value Added (Gross Value Added)	***
Less : Depreciation and deferred Revenue expenses	***
Net Value Added (Net Value Added)	***
B. Application of Value Added:	***
Receipt by Employees/ Workers	***
Receipt by Providers of Loan Capital/ Creditors	***
Receipt by Government	***
Receipt by Owners/ entity	***
Net Value Added (Net Value Added)	*****

Source: N. Mandal & S. Goswami (2008)

USES OF VALUE ADDED STATEMENTS

In order to evaluate the performance of an organization or a corporate sector, the value added reporting is a new method which can be beneficial in many ways to the same. In India value added concept is still in infant stage, but even companies have started introducing the concept of value added in their books of accounts as an important tool. Inclusion of value added concept in organizations is useful not only for the internal users but also for the external users. According to K. C. Nandi (2005), there are many benefits of using value added concept; a few benefits of using value added in an organization are as follows:

1. Value Added Statement provides a better system of describing the performance of business undertakings in terms of capital productivity and labour productivity. Labour productivity can be used to measure in terms of value added per employee in order to help in wage settlement and the capital productivity can be measured in terms of value added per rupee of capital employed to find out the effective utilization of capital employed in the business S.Evraert & A. Riahi-Belkaoui (1998)
2. From a Nation's point of view, the preparation of Value Added Statement is most important, the contribution made by respective organization, towards the overall value added or wealth created of that particular nation S.J.Gray & K.T. Maunder (1980)
3. As explained in the above uses of value added concept, an organization can survive without earning profits, but cannot survive without adding value. The optimized profit is less important than the optimized added value of an organization. This value added is reward for employees and as well as the creditors (providers of capital) of an organization. Therefore, Value Added Statement is very much useful for the company to introduce "productivity incentive schemes based on value added" M.F.Morley(1978)
4. With introduction of value added, it can be observed in terms of team spirit in the organizational environment K.C.Nandi (2005)
5. At present, tax authorities are also using value added statements of respective organizations in making decisions P.M.Rao (2001)

IMPORTANCE OF HUMAN RESOURCES UNDER VALUE ADDED STATEMENT

In literature, Human Resources are often treated as the user group, who uses financial information that should get the most use from the value added statement. (For example M.F.Morley (1978), C.J.Van Staden (2000) To encourage employee group organizations should present value added statements in their financial statement IAS1 (1997) Gray et al. (1995) describes the VAS as an allegedly employee-related development. D.S.Joubert(1991) some surveys are conducted among organizations, who publish value added statement, and found that these statements are mainly used for employee communication and wage negotiations.

Human Resources and their representative groups are interested in information about the stability and profitability of their employer. They are also interested in information which enables them to assess the ability of the enterprise to provide remuneration, retirement benefits and employment opportunities D.E.Purdy (1981). During wage negotiations they are interested in information that demonstrates the employer's ability to afford higher wages. Many companies also publish an employee report internally. The aim of the employee report is to meet the needs of the Human Resources and as such it should be accessible to them in terms of the language used and the financial information given. Value added statements are often included in the employee report. It was established that the employee reports of individual companies are also available to the unions representing the company's Human Resources P.Karpik & A. Belkaoui (1990)

LIMITATIONS OF VALUE ADDED STATEMENTS

There are a few draw backs according to Chitta ranjan sarkar &Kartik Chandra Nandi (2011) with the value added reporting system

1. One of the important limitations of Value Added Statement is that, if the value added statements presents along with the organizational annual reports, it may lead to overload information to various parties and may lead to confusion. An ordinary employee of an organization cannot understand the organizational annual reports and the value added statements, and how these two can be matched. Similarly, a non accountant employee or a shareholder reading the annual report of his company, may get confused by observing a fall in the value added and increase in profits and as well as if he would observe and confused, why the value added is rising while earnings are falling, N.Mandal & S.Goswami (2008)
2. Even though, profit is a part of value added, the maximization of value added does not necessarily lead to maximization of profit. A business organization can maximize its value added by introducing a number of inefficient policies (which cannot lead to increase in profit) but it cannot maximize profits in the similar way R.S.Agarwal (1993)
3. Value Added Statements can be used as a supplementary account to general financial statements. Value added statements does not have place in conventional financial statements. Value added statements are not published in a standard format. Sometimes in the calculation of value added statements, it takes in to consideration of the historical values, and therefore, it may lead to confusion, and misleads the user of the users P.M.Rao (2001)
4. The inclusion of Value Added Statement in the Annual Report of an organization, incurred extra cost and time. So it may create delay in publishing annual reports.
5. In general, Retained earnings are used as the fund for future expansion of the organization and it implies that every one of the team feels that they have a claim on it. But in reality, it does not hold good. M.Dalvadi Yagnesh (2010)

FORM OF VALUE ADDED REPORTING STATEMENT OF VISAKHAPATNAM PORT TRUST

The study concentrated on the critical analysis of data available from the financial statement of Visakhaptnam Port Trust for a period of 10 years (i.e from 2002-03 to 2011-12). On the basis of the data the Value Added Statement has been prepared over the period under study.

The accounting procedure of Value Added reporting divides the statement into two parts
(1) Generation of Value Added
(2) Application of Value Added A.K.Basu (1992)

Generation of Value Added

The generation of value added may be regarded as the Revenue generated from Sales which referred to as Sales Revenue (SR) plus Income from other Services (IS) over the cost of bought-in-goods & services (CBGS) from outsiders. It may be shown in equation form

VA = (SR + IS) – CBGS) G.Sinha (1983)

Sales Revenue (SR): Sales Value of Visakhapatnam port trust comes from Cargo Handling & Storage, Port & Dock Facilities, Railway Working and Rentable lands & Buildings. Sales revenue means net sales value minus sales returns, rebates, trade discount, commission and brokerage etc. but excise duty and sale tax are included because excise duty and sales tax are to be recovered from customers. Major portion, nearly 60% of sales revenue for Visakhapatnam Port Trust comes from Cargo Handling, storage and Port & Dock facilities.

Income from other services (IS): It represents the services rendered by the organization, which consists of interest on Government securities, interest on long term fixed deposits, dividend from subsidiary company, rent, compensation, royalty, interest, interest on revenue account, miscellaneous income, sundry receipts, profit on disposal of capital assets, cent age charges, sale of tender documents, stores adjustments, items relates to the previous year.

Bought-in-goods or materials and services(CBGS) : Bought –in-goods include consumption of stores on spare parts, consumption of raw materials, repairs to plant and machinery and buildings and civil structures, general stores, electric power, damages and deficiencies payable railways, hire charges for floating crafts, hire charges for vehicles, safety, freight and handling charges, security charges, dredging charges etc., whereas bought in services includes repairs and maintenance, power and fuel, bank commission, insurance charges, advertising and publicity, postage, telephone & telegram, printing & stationery, audit fees, rent & rates, travelling expenses, legal charges, carriage outwards, entertainment expenses etc.

Application of Value Added

The application of value added is the summation of the amount distributed to the stakeholders of the organization i.e.

i) Application towards Employees or Workers (RE/ RW): Remuneration to Employees (RE) or Remuneration to Workers (RW) includes the amounts of salaries and wages, payment of bonus, contribution to provident fund, ESI and other benefits, staff welfare expenses, payment of gratuity, director’s remuneration etc.,

ii) Application towards Providers of Capital Loan Interest (RCP): Remuneration to Capital Providers (RCP) includes the parties from whom the firm borrows money in the form of debentures or in the form of equity share capital and preference share capital. Interest is being paid to debenture holders while dividends are paid to shareholders. Interest is paid before the taxes levied on profits, whereas, dividends are paid after levied taxes paid to respective government.

iii) Application towards Government (RG): Remuneration to government (RG) includes the amount of excise duty, customs duty, local taxes, sales tax, octroi duty, rates and taxes, other direct taxes (e.g. income tax, wealth tax) etc. In some cases, amount of export incentives, subsidies received, refund of any duty or taxes like duty draw backs, excess of provision of taxes are granted by the government and are deducted from Government’s share.

iv) Application towards Owners (RIB): Remuneration to owners of the organization is also referred to as Amount Re-invested In the Business (RIB); it includes the amount transferred to various types of reserves, statutory or non-statutory including retention, and depreciation. It can be understood by the following Value Added Statement.

Finally, from the above explanation it can be understood that the Value Added is the summation of the four groups, and it can be written as VA= (RE+RG+RCP+RIB)

Depreciation

In respect to depreciation the following three alternative treatments are possible:

1. To show it in the application of value added under the head either 'retained profit' or 'growth and expansion';
2. To include it under the Bought-in-services and ascertaining directly the net value added;
3. Reducing from the gross value added separately.

In the present study depreciation is treated by using the 3rd alternative treatments mentioned above i.e. reduction of depreciation value from gross value added separately.

TABLE 2: VALUE ADDED STATEMENT OF VISAKHAPATNAM PORT TRUST FOR THE PERIOD 2002-2003 TO 2011-2012 (Rs. In Crores)

Particulars	**2002-03**	**2003-04**	**2004-05**	**2005-06**	**2006-07**	**2007-08**	**2008-09**	**2009-10**	**2010-11**	**2011-12**
Generation of value added										
Sales Revenue	427.56	454.28	501.87	528.45	533.74	564.42	599.72	660.80	738.64	726.42
Total Sales value indices	100	6.25	17.38	23.59	24.83	32.24	40.26	54.55	72.75	469.89
Other income	14.04	11.12	14.64	14.43	20.92	25.48	51.14	56.86	77.66	450.91
Gross output	441.60	465.40	516.51	542.88	554.66	590.90	650.86	717.66	816.30	1177.33
(-) Bought in materials and Services:										
Materials used (stores)	25.47	13.77	13.59	21.77	14.57	14.75	19.90	28.65	18.67	18.12
Repairs	11.28	18.90	19.26	18.22	21.77	24.01	31.09	39.06	35.68	31.07
Power and fuel lubricants	17.72	27.70	32.27	35.05	34.12	38.64	41.36	37.00	46.46	50.59
Dredging	9.28	7.31	6.90	6.95	1.47	8.40	2.86	34.39	34.11	34.52
Other operational expenses	25.72	19.46	82.99	25.14	21.67	23.42	35.28	156.38	134.44	155.85
General expenses	10.18	9.90	12.00	9.56	12.86	12.96	16.21	14.32	10.81	17.02
Gross Value Added	**341.92**	**368.33**	**349.46**	**426.17**	**448.18**	**467.23**	**504.16**	**407.84**	**536.05**	**758.08**
Gross Value Added Indices	100	7.72	2.21	24.64	31.07	36.64	56.54	2.65	34.07	154.48
Depreciation charged	25.72	26.86	28.37	31.24	30.99	32.42	31.74	00.00	00.00	00.00
Net Value Added	**316.62**	**341.47**	**321.08**	**394.93**	**417.18**	**434.80**	**472.42**	**407.84**	**536.05**	**758.08**
Net Value Added Indices	100	2.08	1.87	25.35	32.41	38.00	59.96	11.40	45.49	161.58
Distribution of Net Value Added										
To workers/Human Resources (Staff Cost)	235.66 (74.42)	223.11 (65.33)	288.89 (89.97)	210.67 (53.34)	205.83 (49.33)	298.18 (68.57)	279.74 (59.21)	375.01 (91.95)	388.08 (72.39)	667.33 (88.02)
To providers of capital loan interest	6.66 (2.08)	1.35 (0.39)	1.22 (0.37)	1.07 (0.27)	1.33 (0.32)	0.68 (0.15)	1.83 (0.39)	0.93 (0.23)	0.75 (0.14)	0.45 (0.059)
To Government (Tax)	13.44 (4.24)	32.27 (9.45)	19.90 (6.19)	20.97 (5.31)	86.85 (20.81)	22.38 (5.15)	95.97 (20.31)	26.50 (6.49)	29.34 (5.47)	29.01 (3.82)
To owners (Div.+ Retained earnings)	65.05 (20.54)	84.72 (24.81)	11.08 (3.45)	162.22 (41.07)	123.17 (29.52)	113.62 (26.13)	166.44 (35.23)	5.40 (1.32)	117.88 (21.99)	61.29 (8.08)

Source: Data are compiled on the basis of information available in annual reports of Visakhapatnam Port Trust during the period (2002-03 to 2011-12)
(Note: figures in brackets indicate the percentage distribution of net value added)

TABLE 3: GVA & NVA OF VPT AT A GLANCE

Years	Gross Value Added	Net Value Added
2002-2003	3419253200	3166233009
2003-2004	3683328216	3414708025
2004-2005	3494651720	3210882970
2005-2006	4261755396	3949301407
2006-2007	4481831102	4171879559
2007-2008	4672303729	4348075066
2008-2009	5041619271	4724237356
2009-2010	4078403469	4078403469
2010-2011	5360528260	5360528260
2011-2012	7580850280	7580850280

Source: Data are compiled on the basis of information available in annual reports of Visakhapatnam Port Trust during the period (2002-03 to 2011-12)

ANALYSIS

Value added statements is very much useful to judge the performance and productivity of an organization both in public and private sector organizations in managerial decision making, as of now the usage of Value added Statement is still at the infancy stage in the arena of financial management. The main reason behind this fact is very difficult to unseat any age old idea deeply entrenched not only in practice but also in allied usages and also in legal set up. That is why, in spite of some obvious limitations the traditional financial statements are still in use.

Table shows Gross Value Added and Net Value Added figures of Visakhaptnam Port Trust, it is found that both Gross Value Added and Net Value Added figures has been on an increasing trend over the study period except in the years 2004—2005 and 2009-2010. The distribution of Net Value Added is also clearly shown in the table over the period of ten years. The Gross Value Added and Net Value Added indices (taking 100 in the year 2002-2003 as base) reveal a continuous increasing trend (except in 2004-2005 and in 2009-2010) in Visakhaptnam Port Trust.

In absolute term, Gross Value Added(GVA) and Net Value Added (NVA) of Visakhaptnam Port Trust in the year 2002-2003 was Rs. 341.92 crores and Rs. 316.62 crores whereas in 2011-2012 the GVA and NVA was Rs.758.08 and Rs.758.08 crores. This increase in the value added (both Gross Value Added and Net Value Added) was mainly due to the increase in the value of services over the years. Value added indices also show that in 2011-2012 the Gross Value Added and Net Value Added have increased to about 154.48 and 161.58 from the base year 2002-2003 (taken as 100). The value of services (sales revenue) is noted to be on an increasing trend during the study period of 10 years, except in the year 2011-2012, even though the gross output was high in this year due to greater increase in other income from finance and other miscellaneous services the gross output is continuously on an increasing trend, noticeable increase in gross output is identified in the year 2011-2012. It is also observed from the above table no. 5.2; Visakhapatnam Port Trust has not charged depreciation to their assets for the last three years of the study period i.e. 2009-2012.

While examining the distribution of Net Value Added, it was noticed that Visakhapatnam Port Trust had made greater contribution of its value towards Human Resources of the organization. It is evident from the above table no 4.3 in the study period. More than 50% of net value added is shared to Human Resources of Visakhapatnam Port Trust during the study period, except in the year 2006-2007 where 49.33% of the net value added was only distributed. The highest distribution of net value added with the Human Resources is identified in the year 2009-2010 of 91.95% total share. The second important stake holder to whom the net value added was distributed was to the owners ie, the organization, was in increasing trend during the study period, it is observed to be very high in the year 2005-2006 with 41.07 %. The third stake holder who received the third highest net value added is the Government; it is observed throughout the study that a noticeable share was distributed to government in the years 2006-2007 and 2008-2009 with 20.81% and 20.31% share respectively. The last stakeholder who received the fourth highest share of the net valued added was the creditors (providers of capital), and it was observed the share distributed was very negligible.

CONCLUSION

Based on the above analysis it may be concluded that the generation of value addition made by Visakhapatnam Port Trust has been increasing continuously with slight fluctuation during the study period only due to sales revenue and operational efficiency. So far as the disposal of value added is concerned it was found that the payment to the Human Resources has been increased significantly that indicates social contribution by the company. Retained earnings and depreciation was sufficient over the study period. On the basis of above interpretation, it can be concluded that the management of Visakhapatnam Port Trust has contributed to the society about 71.25% of total value added was distributed among the Human Resources. Government, financial institutions, banker share stands as 7.53% and the remaining 21.21% of the total value added is re-invested in the form of retained earnings and that is an appropriate amount of investment for the development, growth and expansion of the business. The analysis clearly signifies that the management of the company has not only improved its profitability but has also fulfilled its responsibility towards the society at large and emphasised that human capital was given utmost importance for their contribution towards the success performance of organization.

The result of the study highlights the fact that all the contributors of Value Addition have significant impact on the profits of the company. However, major share contributor's i.e. human resources have huge impact on the profits of the Visakhapatnam Port Trust, and followed by the retained earnings. It indicates that greater 'Value Addition' can be possible by plough back of retained earnings. Comparatively Share of 'debt capital contributors' has insignificant impact on the profits of the company.

TABLE 4: VALUE ADDED RATIOS FOR MEASURING PERFORMANCE AND JUDGING PRODUCTIVITY OF VPT

PARTICULARS	SET OF RATIOS	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12
Value Added to Net Worth Ratio	GVA to Net worth	2.64	2.70	2.92	2.81	2.76	3.26	3.34	4.35	3.68	2.35
	NVA to Net worth	2.86	2.92	3.18	3.03	2.97	3.50	3.57	4.35	3.68	2.35
Value Added to Capital employed Ratio	GVA to Capital employed	2.13	1.85	2.17	1.72	1.65	1.55	1.55	1.95	1.53	1.18
	NVA to Capital employed	2.30	2.00	2.36	1.86	1.78	1.67	1.65	1.95	1.53	1.18
Value Added to Sales ratio	GVA to Sales Revenue	1.29	1.26	1.48	1.27	1.24	1.26	1.29	1.76	1.52	1.55
	NVA to Sales Revenue	1.39	1.36	1.61	1.37	1.33	1.36	1.38	1.76	1.52	1.55
Net profit to Value Added Ratio	GVA to Net Profit	0.17	0.21	0.03	0.48	0.42	0.24	0.33	0.11	0.32	0.13
	NVA to Net Profit	0.18	0.23	0.03	0.52	0.45	0.26	0.35	0.11	0.32	0.13
Value Added to Employee Cost Ratio	GVA to Employee Cost	0.27	0.25	0.25	0.21	0.22	0.26	0.31	0.62	0.40	0.29
	NVA to Employee Cost	0.29	0.27	0.28	0.23	0.24	0.27	0.33	0.62	0.40	0.29
Value Added to Total cost Ratio	GVA to Total Cost	1.12	1.05	1.45	0.79	0.82	1.03	0.96	1.65	1.20	1.68
	NVA to Total Cost	1.21	1.14	1.58	0.85	0.88	1.10	1.03	1.65	1.20	1.68
Value Added to Material Cost Ratio	GVA to Material cost	0.07	0.04	0.04	0.05	0.03	0.03	0.04	0.07	0.03	0.02
	NVA to Material cost	0.08	0.04	0.04	0.06	0.03	0.03	0.04	0.07	0.03	0.02

Source: Compiled based Data are compiled on the basis of information available in annual reports of Visakhapatnam Port Trust during the period (2002-03 to 2011-12)

ANALYSIS ON VALUE ADDED RATIOS

The computed ratios are shown in above table no 4.4 depicts the information about the computed ratios of Visakhapatnam Port Trust for the period under study (i.e. from 2002-2003 to 2011-2012).

1. Value added to Net Worth Ratio indicates the amount of wealth (i.e. value added) Created per rupee of Net Worth. Greater the Ratio, higher will be the safety to the providers of capital. Value added to Net Worth ratio of the company has more or less an increasing trend over the period under study, a proportionate decrease observed in the years 2010-2011 and 2011-2012. In spite of the decrease, it indicates a good sign for the contributors as regard the safety of their funds.
2. Value added to Capital Employed Ratio reflects the efficiency of capital utilization in generating the quantum of value added. The main purpose of computing this ratio is to find out how much value is added per unit of capital investment. This ratio is recognized as more significant than traditional ratio of 'Net Profit to Capital Employed' as an index of managerial efficiency. Value added to Capital Employed Ratio of the company has almost had a decreasing trend over the periods of ten years. Though the actual values seen to be in increasing trend but the real value of capital employed has decreased, because of inflation and increasing interest rates etc.,
3. Value added to Sales Ratio reveals the contribution of Company's sales revenue towards the value addition. An effective sales promotion policy would enable a company to enhance the performance of the company in this regard. Value added to Sales Ratio generally describes whether the company has an effective sales promotion policy to enhance the performance. Visakhapatnam Port Trust (VPT) had this ratio in increasing trend; it was observed very high in the year 2009-10 again it was noticed that the ratio had decline trend due rough weather and the ongoing global downturn. A significant decline in overall cargo handling at VPT is on a steep decline in handling of its main commodities -- iron ore and petroleum, oil and lubricants (POL) handling, according to sources.
4. Net Profit to Value added Ratio expresses the owner share in the pool. Higher the ratio, higher will be the concentration of income in few hands and vice-versa. Net Profit to value added ratio of VPT was found very less in the year 2004-05 and immediately for the two consecutive years had increased. Again there was a decline in the year 2007-08 due to increase in operating expenditure, stores expenditure, and Increase in salaries and wages due to normal increase in wage bill, provision made for full years impact of wage revision due from 1-1-2007.
5. Value added to Employee cost Ratio reveals the labour productivity of the enterprise. A high ratio indicates that the enterprise is highly efficient in terms of labour productivity. Value added to employee cost ratio has a proportion of fluctuations over the study period and it was observed to be high in the year 2009-10 due provision made for pension arrears payable consequent on pension revision, by normal increase in wage bill, increase in payments by Rs.712.95 lakhs balance payment for arrears as per 6^{th} pay commission recommendation.
6. Value Added to Total Cost Ratio reveals the expenses incurred by the enterprise for a specified period of time; less the ratio higher the efficiency in terms of cost control. Value Added to total cost ratio, the less the ratio indicates, efficiency of the organization in terms of cost control during the study period, it was observed to be in fluctuating trend, whereas this ratio was observed to be less in the year 2005-06.
7. Value added to Material Cost Ratio focuses the material productivity of the enterprise. Higher the ratio greater will be the efficiency of the enterprise in terms of utilization of materials.

It is observed from the table that the Value added to material cost ratio shows fluctuations over time. It ranges from 0.02 to 0.07 (for GVA to material cost) / from 0.02 to 0.08 (in case of NVA to material cost). The fluctuations of the ratio are also observed over the period under study. This ratio indicates that VPT is highly efficient in terms of utilization of materials. Thus it is clear that the financial ratios using Value Added figure can be regarded as the index of managerial performance and they would be more sensitive to display the vivid picture about the efficiency of management of a firm in a highly complex and competitive business environment.

FINDINGS

i. The distribution towards human resources was high with 71.25% and followed by 21.21% towards entity in the form of reserves and surpluses, which can be used for re-investment in the business.
ii. VPT had very less long term debt from outsiders, it had funds from government with less cost of capital. This can be clearly understood with the help of contribution towards bankers share, financial institutions and government with 7.53%.
iii. In spite of a few decreases was observed in the value added to net worth ratio, it indicates a good sign for the providers of capital as regard the safety of their funds
iv. Value added to sales ratio was observed to be in increasing trend during the study period, in the year 2009-10 was noticed a decline due to global downturn.
v. Value added to employee cost ratio was observed to be high during the study period and it shows the labour productivity.

IMPLICATIONS OF THE STUDY TO MANAGERS AND ORGANIZATIONS

The following are the most important implications of our study:

1. The performance analysis of the company on the basis of Value Added figure reveals the distributive judgment in respect of all the participants of the company. This is not possible through the performance analysis on the basis of Net Profit figure only.
2. Value Added Statement of the company provides the means to satisfy all the stakeholders and as a result, the analysis creates feelings in the minds of all the participants that the company is able to create wealth for the society and ultimately it favours a strong basis for the society at large.
3. Our analysis also gives us an impression about the future contribution by the business unit towards different stakeholders of the company and also the targeted profit of the company in future.
4. There is a high degree of association between GVA and NVA. Unlike traditional financial ratios, value added ratios are equally important and useful to judge the efficiency and effectiveness of the enterprise as regards sales promotion, utilization of fund, capital productivity, labour productivity, etc.

CONCLUSION

In India, over the past there are several changes that had occurred in the presentation of corporate reporting, in terms of presentation of its financial reports. Presentation of 'Value Added Statement' along with the common financial reports has become a common practice. The research indicates that social accounting theories can best be used to motivate the organizations in the publication of the value added statement. 'Value Added Statement' shows the wealth created and its allocation to the key productive resources and it provides a mode of understanding the responsibility of different stakeholders of an organization in creating and maintaining 'Value Addition'.

Presentation of Value Added Statement, as well with the regular financial statements will assist the management in making economic decisions, used as a performance indicator. it is also used to increase the accurate and fair examination of their financial position during a specific period. This fact is to include the value added statement in a separate social reporting.

The value added statement might provide an informative advantage with limited marginal costs because the performance report can be disclosed with figures already recognized in the income statement.

Further investigations of the firms' characteristics and international comparisons could contribute to a better understanding of the possible role of the value added statement in accounting language, both in the national and international context.

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