FINANCIAL STATEMENT ANALYSIS

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Abstract

Financial statement is an organized collection of data according to logical and consisted accounting procedures. Its purpose is to convey an understanding of some financial aspects of a business form. It may reveal a series of activities over a given period of time, as in the case of an income statement.

Introduction

Financial analysis is the process of identifying the financial strengths and weakness of the firm by property establishing relationships between the item of the balance sheet and the profit and loss account. Financial analysis can be undertaken by management of the firm, or by parts outside the firm.

Statement of the problem

To know the analysis of financial statement helps the analyst to know the financial information from the financial data contained in the financial statements and to assess the financial health (i.e. strength or weakness) of an enterprise. It also helps to make a forecast for the future which helps us to prepare budgets and estimates.

Objectives of the study

❖   To study the financial position
❖   To study the growth profile during the study period
❖   To appraise financial soundness

Research Methodology

Secondary data

The secondary data is derived from the annual reports, Business line and finance news projects websites and   the internal auditing books of Bhagyashree Industries.

PERIOD OF THE STUDY:

The study covers the time period of 5 years from the financial year 2016-17 and 2020-21.

TOOLS AND TECHNIQUES USED:

To analyze and interpret the financial statements of the study unit the following tools are used in the study.

1.   Ratio Analysis.
2.   Trend Analysis. (Least square Method)
3.   Comparative statement Analysis

The interpretations are also printed graphically using trend line graphs and sub-dividing bar diagram.

Results & Discussions

1) Current Ratio
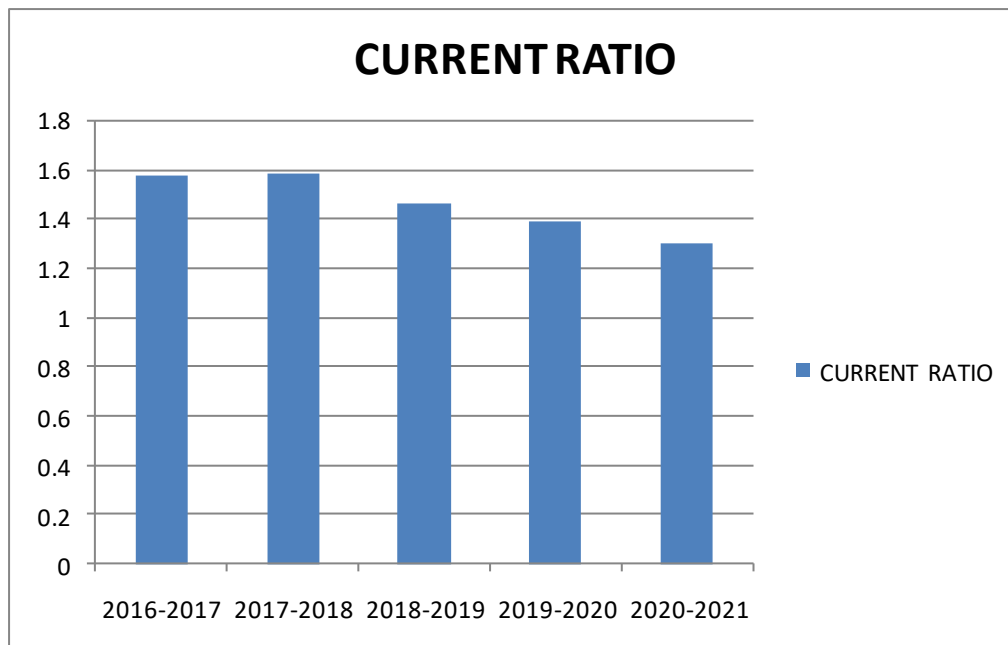
$$\text{Current Ratio} = \frac{\text{Current Assets}}{\text{Current liabilities}}$$

TABLE – 4.1 Current Ratio   (In crores)

YEAR	CURRENT ASSETS	CURRENT LIABILITIES	CURRENT RATIO
2016-2017	13343	8446	1.57
2017-2018	16331	10321	1.58
2018-2019	21063	14420	1.46
2019-2020	27705	19821	1.39
2020-2021	36901	28333	1.30

CHART NO.4.1

INTERPRETATION:

Current ratio during the year 2016-17 is the 1.57. In the next year 2017-18 it was maximum 1.58 and in the year 2018- 19 it was 1.46. In the year 2019-20 the current ratio is 1.39 and in the last year 2020-21 the current ratio decreased to 1.30.

The ideal value of current ratio 2:1, but during the period of study, the current ratio is lesser than the standard. This shows the current ratio to shows a do down ward which indicates the inefficiency of the company to meet its current obligations.

2) Liquid Ratio:-

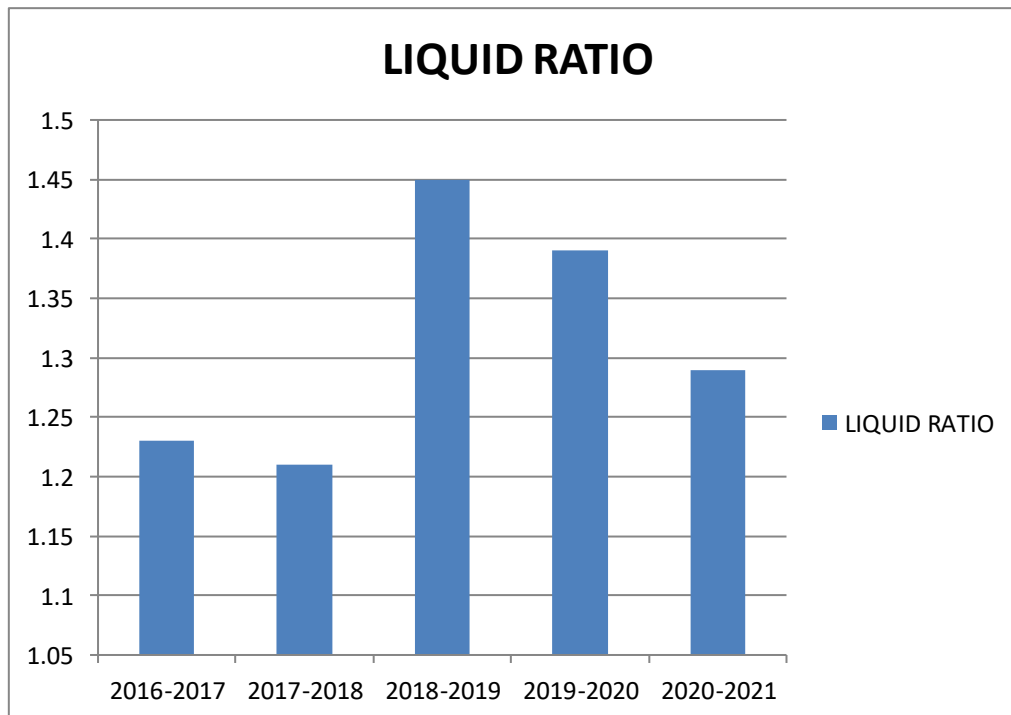$$\text{Liquid Ratio} = \frac{\text{Liquid Assets}}{\text{Liquid Liabilities}}$$

TABLE – 4.2 Liquid Ratios

(In crores)

YEAR	CURRENT ASSETS	CURRENT LIABILITIES	LIQUID RATIO
2016-2017	10427	8446	1.23
2017-2018	12587	10321	1.21

2018-2019	21021	14420	1.45
2019-2020	27648	19821	1.39
2020-2021	36823	28333	1.29

CHART NO.2

INTERPRETATION

Liquid ratio during the year 2016-2017 it attains the maximum value of 5.20. in the above year it was slightly reduced to 2017– 18 to 1.23. In the next year, 2018-19 it further decreased to 1.21 and in the next year 2019-20 1.39. in the last year decreased 2020—2021 to 1.29.

During the period of study, the value of liquid ratio is higher than the ideal value which indicates the efficiency of the company to meet is immediate requirements. The overall trend of liquid ratio shows up and down ward trend.
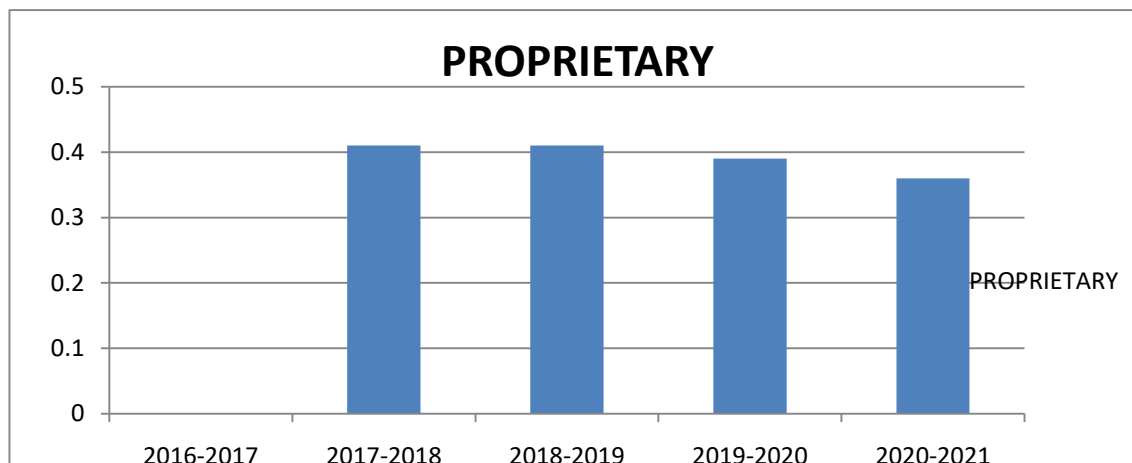
3) Proprietary Ratio:

$$\text{Proprietary Ratio} = \frac{\text{Proprietor's Funds}}{\text{Total Tangible Assets}}$$

TABLE – 4.3 Proprietary Ratios

(In crores)

YEAR	PROPRIETARY FUND	TOTAL ASSETS	PROPRIETARY RATIO
2016-2017	6027	14483	0.41
2017-2018	7301	17498	0.41
2018-2019	8788	22354	0.39
2019-2020	10774	29344	0.36
2020-2021	12939	39528	0.32

CHART NO. 4.3

INTERPRETATION :

Proprietary ratio during the year 2016-17 and 2017-18 it attains the maximum value of 0.41. In the year2018-19 the proprietary ratio was slightly reduced to 0.39. In the next year, 2019-20 It further reduced to 0.36. During the year 2020-21 it further decreased to 0.32.
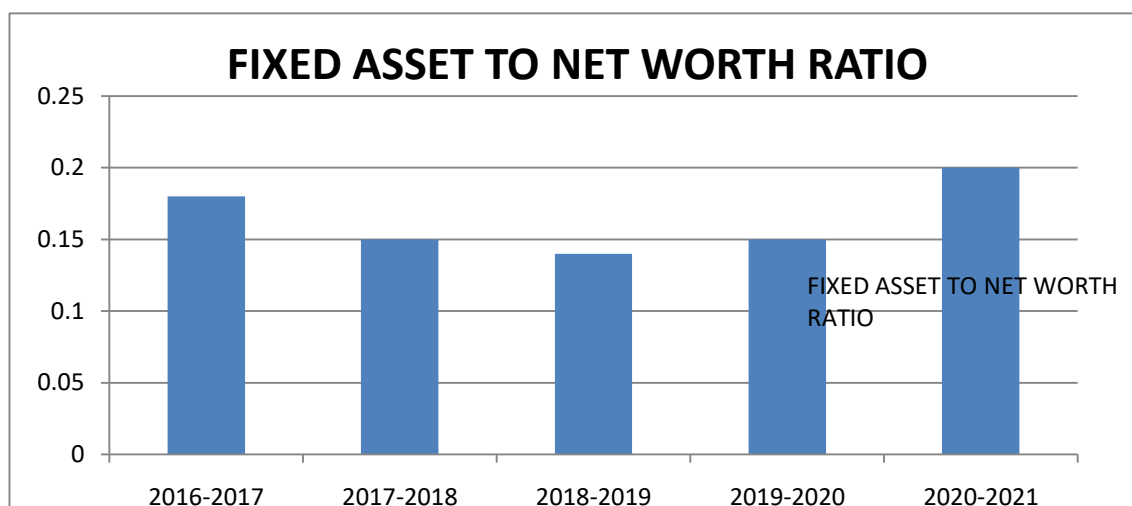
4) Fixed Assets to Net Worth Ratio:

$$\text{Fixed Assets to Net worth Ratio} = \frac{\text{Fixed Assets}}{\text{Proprietor's funds}}$$

TABLE - 4.4

YEAR	FIXED ASSET	PROPRIETARY FUND	FIXED ASSET TO NET WORTH RATIO
2016-2017	1140	6027	0.18
2017-2018	1167	7301	0.15
2018-2019	1291	8788	0.14
2019-2020	1639	10774	0.15
2020-2021	2627	12939	0.20

CHART NO. 4.4

INTERPRETATION :

Fixed asset to net worth Ratio during the year 2016-17 was 0.18. it was slightly reduced to 0.14 in the 2017-18 year. In the next year 2018-19 and 2019-20 the net worth ratio 0.15. The same is increased to a maximum of 0.20 in the year 2020-2021.
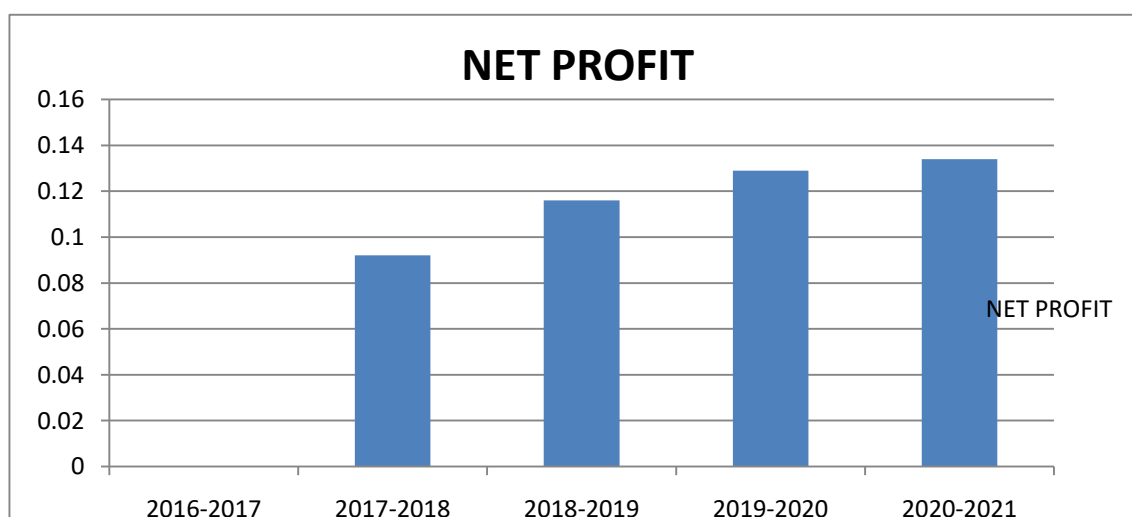
5) Net Profit Ratio

$$\text{Net Profit Ratio} = \frac{\text{Net Profit}}{\text{Sales}} \times 100$$

TABLE- 4.5

(In crores)

YEAR	NET PROFIT	SALES	NET PROFIT RATIO
2016-2017	953	10336	9.2%
2017-2018	1679	14,525	11.6%
2018-2019	2415	18739	12.9%
2019-2020	2859	21401	13.4%
2020-2021	3138	28033	11.20%

CHART NO. 4.5

INTERPRETATION :

From the table, it is found that the net profit has been fluctuating during the study period. In the year 2016-17 the net profit ratio was 9.2%. In the year 2017-18 it was increased to 11.6%. In the next year 2018-19 it was further increased 12.9%. During the year 2019-20 there was a slight increases to 13.4%. During the year 2020-21 the net profit ratio was 11.20%.

6) Stock Turnover Ratio:

$$\text{Stock Turnover} = \frac{\text{Cost of goods sold}}{\text{Average Stock}}$$

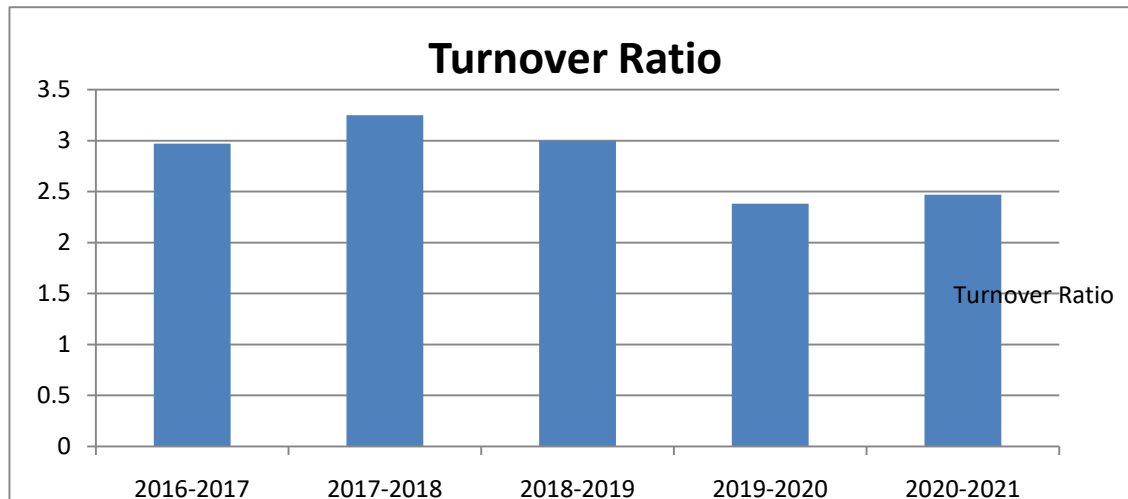Cost of goods sold = Sales- Gross Profit

$$\text{Average stock} = \frac{\text{Opening stock + Closing stock}}{2}$$

TABLE – 4.6 STOCK TURNOVER RATIO

(in crores)

Year	Cost of goods sold	Average Stock	Stock Turnover Ratio
2016-2017	8673	2919	2.97

2017-2018	11902	3653	3.25
2018-2019	14960	4971	3.00
2019-2020	16936	7097	2.38
2020-2021	23153	9350	2.47

CHART NO. 4.6

INTERPRETATION :

From the table, it is found that the stock Turnover ratio has been fluctuating during the study period. In the year 2016-17 it was 2.97, It increases during the year 2017-18 was slightly to 3.25. In the year 2018-19 it was 3.00 and decreases to 2.38 in the year 2019-20 and during the year 2020-2021 it was increased to 2.47.
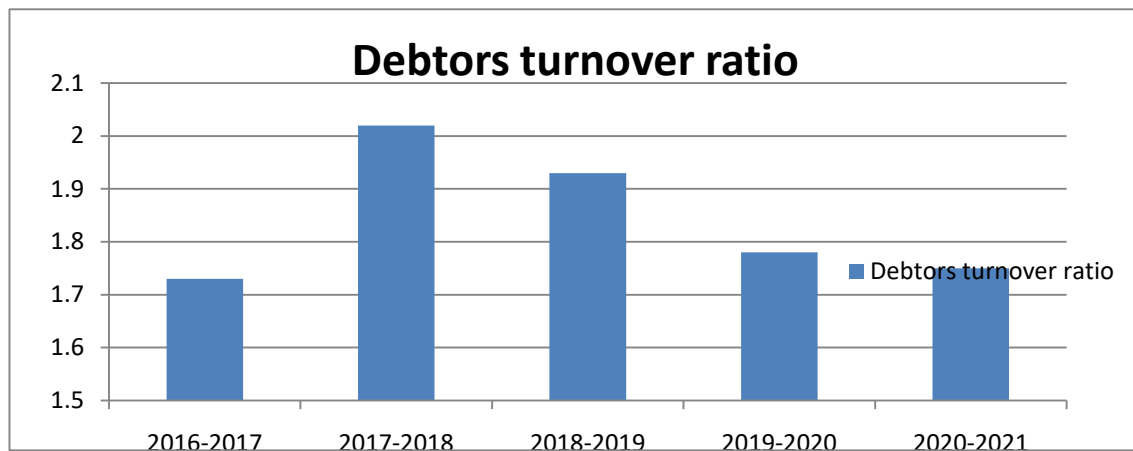
7) DEBTORS TURNOVER RATIO:

$$\text{Debtors Turnover Ratio} = \frac{\text{Credit Sales}}{\text{Average Account receivables}}$$

Average account receivables = Total Debtors and B/R

TABLE No.4.7 Debtor Turn over   (Rs in crores)

Year	Sales Rs	Sundry Debtors Rs	Debtors Turnover Ratio
2016-2017	10336	5972	1.73
2017-2018	14525	7168	2.02
2018-2019	18739	9695	1.93
2019-2020	21401	11975	1.78
2020-2021	28033	15976	1.75

CHART NO. 4.7

INTERPRETATION :

From the table, it is found that the Debtor Turnover ratio has been fluctuating during the study period. In the year 2016-17 it was 1.73, It increases during the year 2017-18 was slightly to 2.02. In the year 2018-19 it was decreased to 1.93 and decreases to 1.78 in the year 2019-20 and during the year 2020-2021 it was further decreased to 1.75
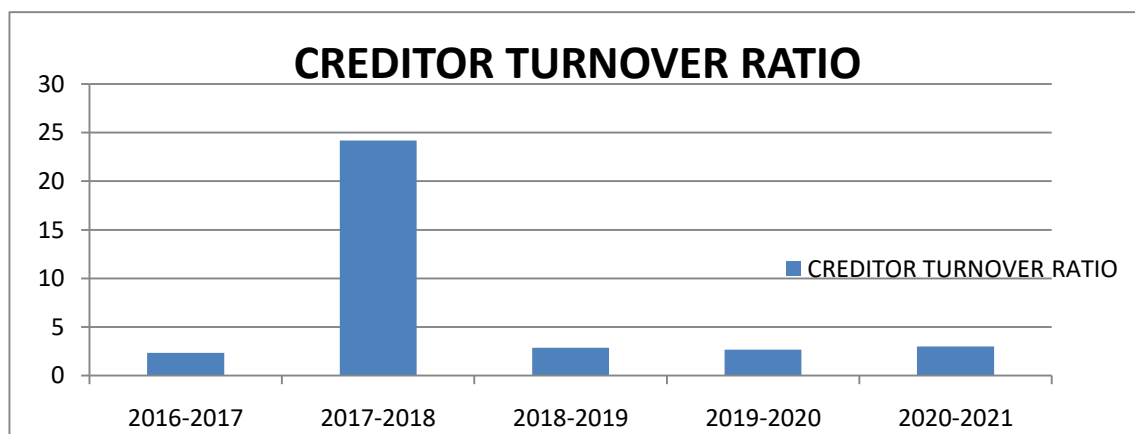
8) CREDITORS TURNOVER RATIO:

$$\text{Creditors Turnover Ratio} = \frac{\text{Credit Purchases}}{\text{Average account payable}}$$

TABLE – 4.9 Creditor Turnover Ratio

(in crores)

YEAR	CREDIT PURCHASE	AVERAGE ACCOUNT PAYABLE	CREDITOR TURNOVER RATIO
2016-2017	4892	2100	2.32
2017-2018	6866	284	24.17
2018-2019	10182	3538	2.87
2019-2020	11821	4424	2.67
2020-2021	17620	5852	3.0

CHART NO.4.9

INTERPRETATION:

The creditor Turnover ratio during the year 2016-17 was 2.32. In the year 2017-18 it was increased to 24.17. In the year 2018-19 creditors turnover ratio slightly reduced to 2.87. In the year 2019-20 it was reduced to 2.67. During the year 2020-2021 it was increased to 3.0

From the above it in inferred that the creditors turnover ratio shows an upward trend which indicates that the company is highly efficient in making. Speedy settlements of debts to its creditors.

Conclusion

The company has been successful in meeting the demanding requirements of not only in India but also international markets in terms of complicity of work as well as Technology etc Industries has over the year established its reference in to700 countries across the world. This unit gives more employment i.e. to thousands and thousands of workers. It gives more protection and safety to the staff working in it besides more concentration to the welfare of the workers.

Industries are developing corporate social responsibility such as self Employment generation, Environment protection, Education Health management and medical aids and so an. Its focus attention is on 56 adopted villages having nearly 80000in habitations in addition to financial assistance.

References

1. I.M.Panday (2013).Financial Management (13th Global Edition).
2. Prasanna Chandra (2013). Financial Management (14th Edition).
3. T.Srinivasa Rao (2008). Financial Accounting (5th Edition).