



# A STUDY ON FINANCIAL STATEMENT ANALYSIS IN SRI BUVANESHWARI PLASTICS DURING FY 2018-2019 TO 2020-2021

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## INTRODUCTION OF STUDY

Financial statements are the final result of accounting work done during the accounting period. Financial statements normally include trading, profit and loss account and balance sheet. The users of accounting information may not be able to get direct reply to certain questions from the above statements. However, by expressing the items in the financial statements, in relation to each other we can get meaningful information.

Analysis of financial statements has been defined as " a process of evaluating the relationship between the component parts of the financial statements to obtain a better understanding of a firm's position and performance".

Financial statement analysis is an important part of the overall financial assessment. The different users look at the business concern from their respective viewpoint and are interested in knowing about its profitability and financial condition. A detailed cause and effect study of the Profitability and financial condition is the overall objective of financial statement analysis.

## **OBJECTIVE OF THE STUDY**

- The basic objective of studying the ratios of the company is to know the financial position of the company.
- To know the borrowings of the company as well as the liquidity position of the company.
- To study the current assets and current liabilities so as to know the financial position in Sri Buvaneswari plastics.
- To study the profits of the business and net sales of the business.
- To know the earning capacity or profitability of the firm.
- To know the short term as well as long term solvency position of the firm.
- To identify the reasons for change in profitability and financial position of the firm.

## **SCOPE OF STUDY**

The study is based on the financial position of the firm by using Ratio analysis, Trend analysis, common and Comparative statements. Financial performance of the company can be ascertain by financial statements it helps the management to analyze profit, solvency, liquidity and efficiency etc. It will give the complete performance of the company.

## **STATEMENT OF PROBLEM**

Analysis and interpretation of financial statements is a regular exercise to review the performance of the company. It was proposed to conduct a review to study the short term prospect as well as the long term trends and arrive at the conclusion on the performance of the company. Performance review resulting in corrective actions optimize the performance in the subsequent period.

## **LIMITATIONS OF THE STUDY**

- The analysis was made with the help of secondary data collected from the company and companies' website.
- All the limitations of Ratio Analysis, Comparative Statements, Common-Size Statement, Trend Analysis are applicable to this study.
- The period of study is 3 years from 2018- 19 to 2020-21.

## REVIEW OF LITERATURE

- Shinde Govind P. & Dubey Manisha (2011) the study has been conducted considering the segments such as passenger vehicle, commercial vehicle, utility vehicle, two and three wheelervehicle of key players performance and also analyze SWOT analysis and key factors influencing growth of automobile industry.
- Sharma Nishi (2011) studied the financial performance of passenger and commercial vehicle segments of the automobile industry in the terms of four financial parameters namely liquidity, profitability, leverage and managerial efficiency analysis for the period of decade from 2001-02 to 2010-11. The study concludes that profitability and managerial efficiency of Tata motors as well as Mahindra & Mahindra Ltd are satisfactory but their liquidity position is not satisfactory. The liquidity position of commercial vehicles is much better than the passenger vehicle segment.
- Singh Amarjit & Gupta Vinod (2012) explored an overview of automobile industry. Indian automobile industry itself as a manufacturing hub and many joint ventures have been set up in India with foreign collaboration. SWOT analysis done there are some challenges by the virtue of which automobile industry faces lot of problems and some innovative key features are keyless entry, electrically controlled mechanisms enhanced driving control, soft feel interiors and also need to focus in future on like fuel efficiency, emission reduction safety and durability.
- Zafar S.M.Tariq & Khalid S.M (2012) the study explored that ratios are calculated from financial statements which are prepared as desired policies adopted on depreciation and stock valuation by the management. Ratio is a simple comparison of numerator and a denominator that cannot produce a complete and authentic picture of business. Results are manipulated and also may not highlight other factors which affect performance of firm by promoting.
- Dawar Varun (2012) Study to analyze the effect of various fundamental corporate policy variables like dividend, debit, capital expenditure on stock prices of automobile companies of India. The study tends that dividend & investment policy are relevant and capital structure irrelevant to stock prices.
- Mistry Dharmendra S. (2012) understood a study to analyze the effect of various determinants on the profitability of the selected companies. It concluded that debt equity ratio, inventory ratio, total assets were important determinants which affect positive or negative effects on profitability. It suggested to improve solvency as to reduce fixed financial burden on the company profit & give the benefit of trading on equity to the shareholders.

## ANALYSIS AND INTERPRETATION

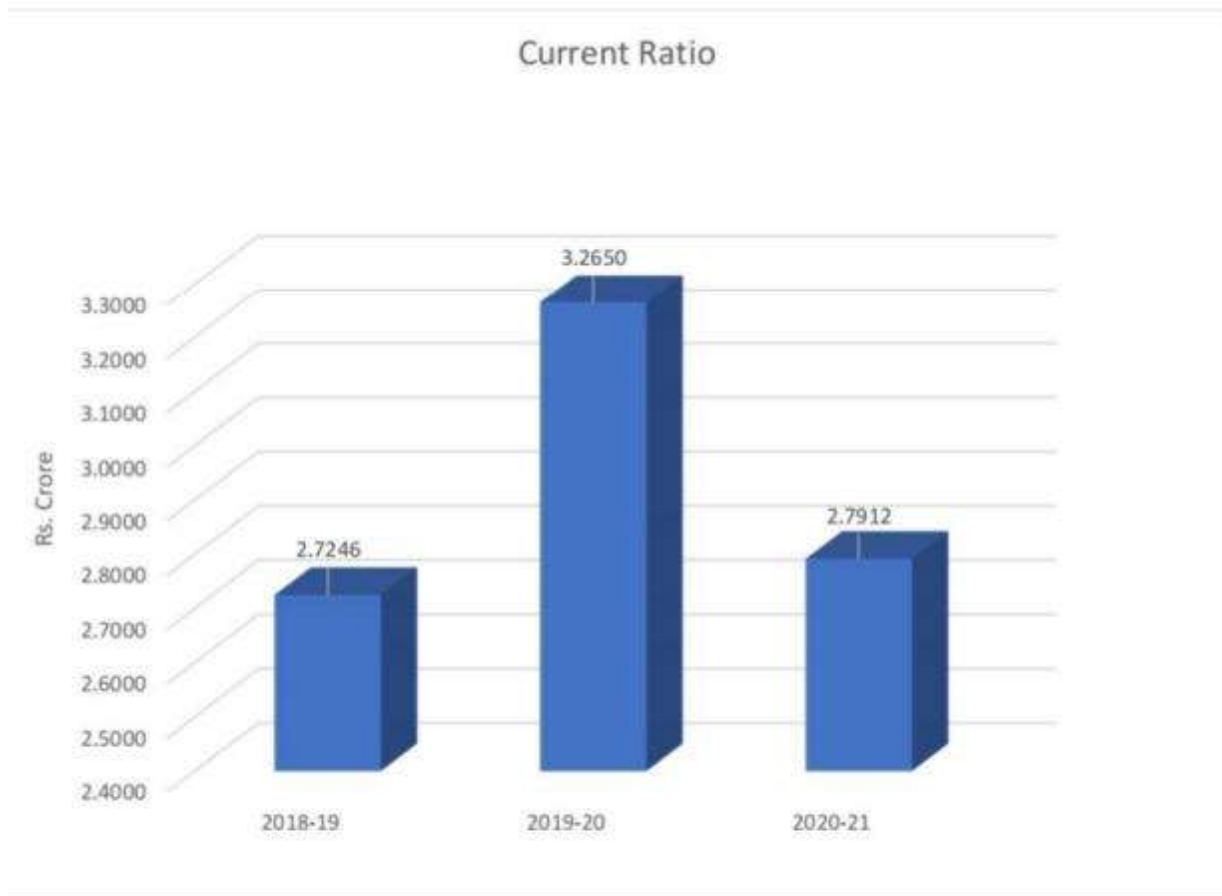
Analysis and interpretation of financial statements are an attempt to determine the significance and meaning of the financial statement data so that a forecast may be made of the prospects for future earnings, ability to pay interest, debt maturities, both current as well as long term, and profitability of sound dividend policy. The main function of financial analysis is the pinpointing of the strength and weaknesses of a business undertaking by regrouping and analysis of figures contained in financial statements, by making comparisons of various components and by examining their content. The analysis and interpretation of financial statements represent the last of the four major steps of accounting.

## RATIO ANALYSIS

Ratio analysis is one of the most powerful tool and widely used technique of analyzing financial statements. It is the process of computing and interpreting relationship between the items of the financial statements for arriving at conclusions about the financial position and performance of an enterprise. Ratio analysis is a quantitative method of gaining insight into a company's liquidity, operational efficiency, and profitability by studying its financial statements such as the balance sheet and income statement. Ratio analysis is a cornerstone of fundamental equity analysis.

## CURRENT RATIO

Year	Current asset	Current liabilities	Current Ratio
2018-19	1,60,58,653.09	58,94,046.14	2.7246:1
2019-20	1,56,84,680.08	48,03,879.28	3.2650:1
2020-21	1,84,55,682.07	66,12,086.32	2.7912:1



### INTERPRETATION

The above table shows the current ratio for the years from 2018-2019 to 2020-2021. Current Ratio from 2018-2019 is 2.7246, for 2019-2020 is 3.2650 and for 2020-2021 is 2.7912. In all the three years 2019-2020 register highest current ratio and lowest in the years 2018-2019. But compared with the standard ratio of 2:1, all the 3 years it is more than the standard ratio. So it is inferred from the above table that the current ratio is satisfies the standard in all the 3 years.

### FINDINGS

- In current ratio, highest ratio is 3.2650 in the year 2019-20 and the lowest current ratio 2.7246 in the year 2018-19.
- In liquid ratio, lowest ratio is 1.1681 in the year 2019-20 and the highest liquid ratio in 1.3072 the year 2020-21.
- In absolute liquid ratio, highest ratio is 0.0300 in the year 2018-19 and the lowest absolute liquid ratio in 0.0089 the year 2020-21.
- In debt equity ratio, lowest ratio is 0.8042 in the year 2018- 19 and the highest debt equity ratio 1.0580 in the year 2020-21.

- In proprietary ratio, lowest ratio is 1.1778 in the year 2020-21 and the highest proprietary ratio in 1.2796 the year 2018-19.

## SUGGESTION

- Ratio Analysis is most popular tool of financial analysis and has got worldwide recognition. Various accounting ratios along with principal ratio i.e. ROI can be calculated and presented to analyse liquidity, profitability, solvency and activity of the reporting enterprise. Incorporation of various accounting ratios will improve the quality of financial reporting.
- The company has a steady growth in profit but has inappropriate increase in expenditure. In the recent years operating expenses has increase rapidly irrespective of turnover. The company should have control over expenses occurred.

## CONCLUSION

This project of ratio analysis in the production concern is not merely a work of the project. But a brief knowledge and experience of that how to analyse the financial performance of the firm. The study undertaken has brought into the light of the following conclusions. According to this project I came to know that from the analysis of financial statements it is clear that SRI BUVANESWARI PLASTICS. Have been incurring loss during the period of study. So, the firm should loss during the period of study. So, the firm should focus on getting of profits in the coming years by taking care internal as well as external factors.

