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A study on financial statement analysis of forest industries of Travancore Ltd (F.I.T), Aluva Kerala

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ABSTRACT

The analysis of financial statement is a process of evaluating the relationship between the component parts of financial statement to obtain a better understanding the firm's position and performance. This analysis can be undertaken by management of the firm or by parties outside the namely, owners, creditors, investors. The study is done as a part of analytical research; the Analytical Research is primarily concerned; with testing hypothesis and specifying and interpreting relationships, by analyzing the Facts & information already available. The main scope of the study is helps to evaluate the decision making with regards to the financial performance.

INTRODUCTION

The financial statement analysis is a process of reviewing and analyzing a company's financial statements to make better economic decisions to earn income in future. These statements include the income statement, balance sheet, and statement of cash flows, notes to accounts and a statement of changes in equity Financial performance analysis is the process of identifying the financial strengths and weaknesses of the firm by properly establishing the relationship between the items of balance sheet and profit and loss account. It also helps in short-term and long-term forecasting and growth can be identified with the help of financial performance analysis. The dictionary meaning of 'analysis' is to resolve or separate a thing in to its element or components parts for tracing their relation to the things as whole and to each other. The project conducted on the topic of "A study on financial statement analysis of Forest industries of Travancore Ltd (F.I.T). The main objective of the study is, to study the financial statement of the FIT for three years. Forest Industries Travancore Ltd is a Kerala government company established in the year 1946, is engaged in manufacture of wooden furniture and joineries (wooden, doors, ventilators

etc.) it is located at Thaikattukara near Aluva is 15km north of Kochi and 2km south of Aluva by the side of National highway 47.FIT is a Kerala government undertaking under the department of industries.

STATEMENT OF THE PROBLEM

Financial statement analysis is the process of reviewing and analyzing a company's financial statements to make better economic decisions to earn income in future. This study aims to find out the financial performance of FIT for three years. And the study also helps to know the financial strength and weakness of FIT. This study examines the financial trends over a period of time or in future. This study is used to compare a particular financial statement with prior period statements.

OBJECTIVES OF THE STUDY

- To study the financial statements of the FIT for three years.
- To evaluate the financial performance trends over a period of time by using trend analysis (Horizontal analysis).

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SCOPE OF THE STUDY

- This study is help to compare performance in the different time periods
- This study helps to evaluate the decision making with regards to the financial performance.

LIMITATIONS OF THE STUDY

- This study only based on the monetary aspects of the financial statement; do not consider the non-monetary aspects.
- Financial analysis of the organization is based entirely on previous years Balance sheets and profit and loss accounts.

LITERATURE REVIEW

S.Saigeetha and Dr.S.T.Surulivel (2017): This paper is to enlighten the financial performance of the public sector undertaking that is, BHEL (Bharat Heavy Electricals Limited).Accounting ratios helpful in a great manner to analyze the financial position of a company. Financial analysis helps to assess the profitability and financial position of a concern [1].

Dr.P. Ganapathi, M.Kulandaivelu, P.Keerthana (2018): Pinpoint that financial statement analysis that distinguishes leverage that arises in financing activities from leverage that arises in operations. The analysis yields two leveraging equations, one for borrowing to finance operations and one for borrowing in the course of operations [2].

Dr. Ayad Shaker Sultan (2014): Point that this paper attempts to analyze the financial statements and measure the performance in terms of assets utilization, and profitability. In detail the research methodology used for the study that has focused on the past and present performance of Baghdad Sort-drink Industry. This study reveals that financial strengths and weaknesses of the Baghdad Soft-drink Industry [3].

RESEARCH METHODOLOGY

Research design

A Master plan that specifies the method and procedures for collecting and analysing needed information

Research design : Analytical Research

Size of Data : 3year Financial Reports

DATA COLLECTION METHOD

Primary data source

A Primary Data Source provides direct or first-hand evidence about an object, person or work of art. It includes Historical & Legal Documents, Eyewitness Accounts, Results of Experiments, Statistical Data, Audio and Video Recordings, etc.

Secondary data source

3 years Balance Sheets and Profit & Loss Accounts of the company. We Referred Articles, Journals & Magazines as mentioned in the Bibliography.

TOOLS USED FOR ANALYSIS

Trent analysis

The financial statements may be analyzed by computing trends of series of information. Trend analysis determines the direction upwards or downwards and involves the computation of the percentage relationship that each item bears to the same item in the base year. In case of comparative statement, an item is compared with itself in the previous year to know whether it has increased or decreased or remained constant.

Procedure for calculating trend percentage

One year is taken as the base year. Generally, the first year is taken as the base year. The figure of base year is taken as 100. The trend percentages are calculated in relation to this base year. If a figure in other year is less than the figure in base year, the trend percentage will be less than 100 and it will be more than 100 if figure is more than the base year figure. Each year's figure is divided by the base year figure.

Formula

$$\text{Trend Percentage} = \frac{\text{Present year value}}{\text{Base year value}} \times 100$$

DATA ANALYSIS

Table no 1: Trend analysis of net ales

Base year – 2016-17		(Rs in lakhs)
YEARS	NET SALES	TREND PERCENTAGE
2016-17	1537.72	100
2017-18	3159.09	205.43
2018-19	4200.14	273.14

INTERPRETATION

From this study it is interpret that the net sales of the company are increase positive trend. The trend percentage of the year 2017-16 is 100; this is

the base year for trend analysis. In 2017-18 the net sales trend percentage is increased to 205.43 and also in 2018-19 the net sales trend percentage are increasing positive trend of 273.14.

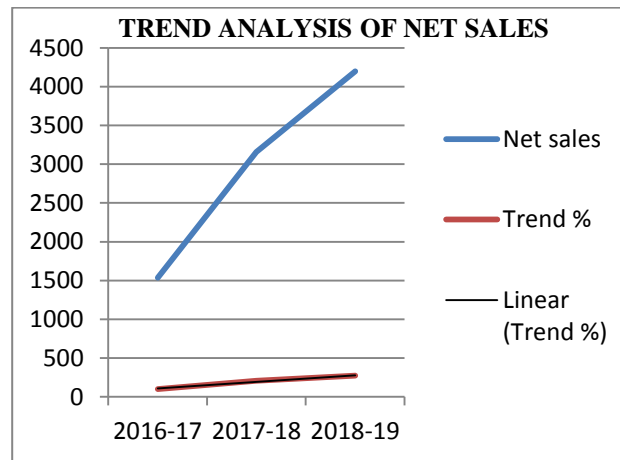


Figure No 1: Trend analysis of net sales

Table No 2: Trend analysis of current assets

Base year – 2016-17		(Rs in lakhs)
YEARS	CURRENT ASSETS	TREND PERCENTAGE
2016-17	2394.47	100
2017-18	2080.07	86.86
2018-19	2546.33	106.34

INTERPRETATION

From this study it found that the current asset of the company is fluctuating positive trend in 2018-19 with trend percentage of 106.34; the year 2016-17 consider as a base year for trend analysis

with trend percentage of 100. In 2017-18 the current asset is in negative trend because the change in trend percentage is decrease to 86.86. The current asset shows a fluctuating trend in the past 3 years.

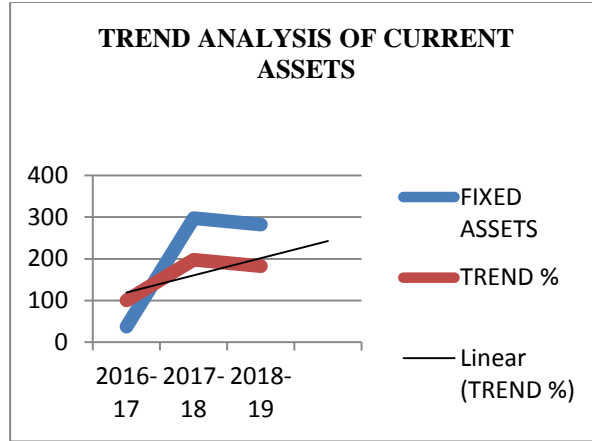


Figure No 2: Trend analysis of current assets

Table no 3: Trend analysis of fixed assets
Base year – 2016-17 (Rs in lakhs)

YEARS	FIXED ASSETS	TREND PERCENTAGE
2016-17	36.82	100
2017-18	297.60	197.6
2018-19	282.39	182.39

INTERPRETATION

From this analyse it evident that the fixed asset of the company in 2016-17 is 36.82 with trend percentage of 100; this is considered as the base year. In 2017-18 the fixed asset of the company is increase to 297.60 with change in trend percentage

of 197.6 this shows the increasing positive in trend. In 2018-19 the fixed asset of the company is decrease to 282.39 with decrease in trend percentage of 182.39; this change in trend percentage shows the fluctuating trend in fixed asset.

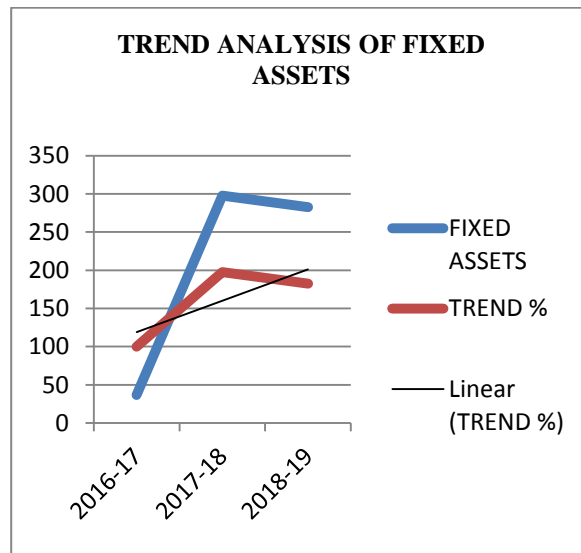


Figure No 3: Trend analysis of fixed assets

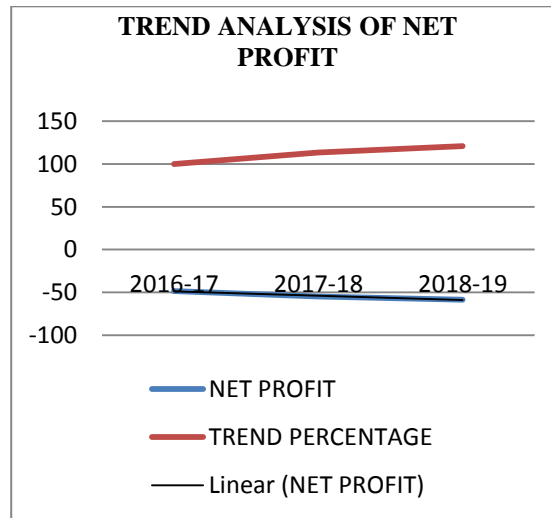
Table no 4: Trend analysis of net profit

Base year – 2016-17		(Rs in lakhs)
YEARS	NET PROFIT	TREND PERCENTAGE
2016-17	(48.37)	100
2017-18	(54.92)	113.54
2018-19	(58.43)	120.79

INTERPRETATION

From this study evident that the net profit of the company is decrease; it means the firm is in unfavourable condition. In 2016-17 the net profit of the company is (48.37) with trend percentage of 100 consider as a base year for analysis. In 2017-18 the net profit is (54.92) with change in trend

percentage of 113.54 this is shows that the decrease negative trend in net profit. In 2018-19 the net profit of the company is decrease to (58.43) with change in trend parentage of 120.79; this shows a decrease negative trend in net profit in past 3 years.

**Figure No 4: Trend Analysis of Net Profit****Table no 5: Trend analysis of networking capital**

Base Year – 2016-17		(Rs in lakhs)
YEARS	NETWORKING CAPITAL	TEND PERCENTAGE
2016-17	1084.36	100
2017-18	956.43	88.20
2018-19	1108.08	102.18

INTERPRETATION

From this study evident that the net working capital of the company is fluctuating trend in past 3 years. In 2016-17 the net working capital is 1084.36 with the trend percentage of 100 as a base year for the trend analysis. In 2017-18 the net

working capital is 956.43 with change in trend percentage of 88.20; this shows the decrease in trend working capital. In 2018-19 the net working capital is 1108.8 with change in trend percentage of 102.18 this is showing the increase in trend of net working capital.

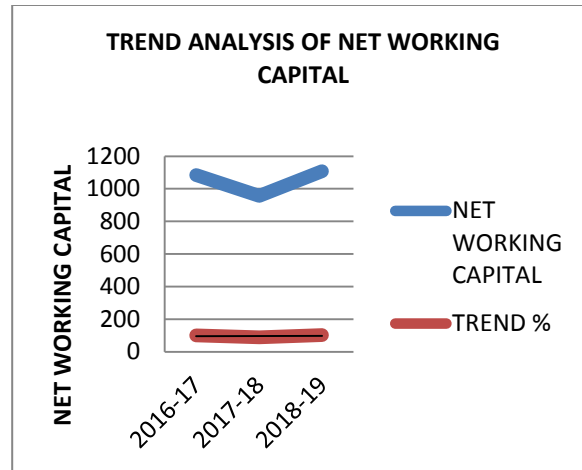


Figure No 5: Trend analysis of networking capital

FINDINGS

- 1) In this financial analysis the trend of net sale is increase in trend in the past 3 years. The trend analysis of net sales indicates that the firm can generate more sales year after years this shows the efficiency of the firm to generate sales.
- 2) The trend analysis of net current asset is increase in trend in 2016-17, in 2017-18 decrease in trend of net current asset this indicates the fluctuating trend and in 2018-19 the trend in current asset is increase trend this indicate that the firm was increased the current asset for next years also.
- 3) The trend analysis of fixed asset is opposite to sales and current asset trend; the fixed asset shows fluctuating trend in past 3 years so it will decrease more in coming years.
- 4) The trend analysis of net profit is negative decrease in trend in the past 3 years it means the firm is in unfavorable condition because the net profit is negative value. The trend indicates that the net profit is kept on decrease in coming years.
- 5) The trend analysis of working capital shows a fluctuating trend in past 3 years. In 2017-18 the working capital shows negative trend in past years due to current asset less than current liability.

SUGGESTIONS

- 1) The company has to utilize the maximum production capacity and efforts must make to increase in sales.
- 2) Company gives more importance in the utilization of all assets effectively.
- 3) The company reduce the cost of production and also reduce their expense is leads to more profit.
- 4) The company maintains a sufficient balance between a company's current assets and liabilities.
- 5) The effective working capital management system helps businesses not only cover their financial obligations but also boost their earnings.

CONCLUSION

The study is carried out on the overall financial performance of FIT which covers the period of three financial years from 2016 to 2019. It is evident that the overall financial performance of the company is stable but the net profit of the company fallen to down it shows the company under risk in coming years. The sales of the company are increase positive in trend it is indicates that the company has in stable in sales performance. The company's increase the sales potential by government financial supports and also reduces their expenses is lead to more profit. The company give more importance in utilization of asset in effectively is helped to improve the financial performance in next coming years.

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