International Journal of Engineering Technology and Management Sciences
Website: ijetms.in Issue: 4 Volume No.6 July – 2022
DOI:10.46647/ijetms.2022.v06i04.0076 ISSN: 2581-4621

A STUDY ON FINANCIAL STATEMENT ANALYSIS WITH REFERENCE TO KESORAM CEMENTS

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ABSTRACT
Well-organized accounting provides a systematic and chronological record of business transactions and other events, but also a complete picture of the effects of business transactions in the form of an annual report. The annual report is a legal and regulatory obligation for companies, and thus a potential subject of economic and financial analysis.

By analyzing the financial statements, we get a picture of the (credit) creditworthiness of the company. The credit worthiness of a company is a quantitative and qualitative expression of the company's business ability and the security of its business. Credit worthiness assessment is often equated with creditworthiness and liquidity assessment, and as such is reduced to a narrower concept of creditworthiness. On the other hand, solvency in a broader sense implies a synthesized assessment of financial stability, liquidity, solvency, capital adequacy and structure, financial situation, profitability, risk of financial results, profitability and organization of the observed company Financial is viewed as the existence blood of a business endeavor. In the cutting edge arranged economy, back is one of the essential establishments of a wide range of financial aspects exercises .Finance explanations are readied essential for choice - making .They assume a prevailing job in setting the casing work and administrative end and can be drawn from these announcements is of enormous use in basic leadership through investigation and translation of budget reports .As said prior back is said to be life blood of any business Every business under taking needs fund for its smooth working.

Keywords: Financial Statement Analysis, Profitability analysis,

INTRODUCTION
Financial Statement analysis is the most important part of Financial Analysis. It is based on statements, which are the end product of accounting system. It is based on statement analysis. It is largely a post-mortem of the transactional activities of a business firm, as recorded in the account books so as to judge the operational ability, profitability and financial soundness.

Finance is one of the basic foundations of all kinds of economic activities. It is the master key which provides access to all the sources for being employed in manufacturing and merchandising activities. It has rightly being said that business needs money to make more money. However it is also true that money generate more money, only when it is properly managed. Hence, efficient management of every business enterprise is closely linked with the efficient management of its finance. Financing of a firm mean providing money for investment in the form of fixed assets and also in the form of working capital for day to day operations.

Business finance mainly involves, rising of funds and thus effective utilization keeping in view the overall objective of the firm. This requires great caution and wisdom on part of management. The management makes use of various financial techniques, devices etcfor administering the financial affairs of the firm in most efficient way.

It is true that money (Finance) plays a very important role in the sphere of business to grow and bring the company position at the top. If the financial position of the company is good, there is no doubt that company or industry will grow faster in the existing.

REVIEW OF LITERATURE

Bhunia, A., MukhutI, S., (2011) identified that understanding financial statements is a key to fundamental stock analysis and overall investment research. Financial statements provide an account of a company's past performance, a picture of its current financial strength and a glimpse into the future potential of a firm. The goal is to enhance an ability to make a sound judgment about a company's financial strength and future prospects by using financial statements in your personal investment research.

2.Thomson, R., (2008) said that financial analysis is the process of identifying thestrengths and weakness of the firm with the help of accounting information provided inthe Profit and Loss Account and Balance Sheet.

3. Anthony, R., (2007) identified that Accounting as a means of collecting, summarizing, analysing and reporting in monetary terms, information about the business. This simpledefinition highlights the importance of accounting and financial information in thebusiness enterprise. There is a reference to the following accounting principles and scopeof the field of accounting and finance.

4. Gordon, M., Shilinglaw, G., (2006) the author explains the importance of business and financial reporting. He highlighted that the economy depends on the businessorganizations for goods and services. The financial activities of business enterprises ofproduction and sale are of utmost importance.

NEED FOR THE STUDY

1. The most common methods used for financial statement analysis are comparative statements, common-size statements, funds flow analysis and ratio analysis.
2. These methods include calculations and comparisons of the results to historical company data, competitors, or industry averages to determine the relative strength and performance of the company being analyzed.
3. Financial statement analysis is to diagnose the information contained in financial statements so as to judge profitability and financial soundness of the firm. Just like a doctor examines his patient by recording hi body temperature, blood pressure, etc.
4. Financial statement analysis is used to identify the trends and relationships between financial statement items. Both internal management and external users(such as analysts, creditors, and investors) of the financial statements need to evaluate a company's

SCOPE OF STUDY

1. The scope is limited to the operations of the **KESORAM CEMENTS PVT LTD.**
2. The information is obtained from the primary and secondary data was limited to the **KESORAM CEMENTS PVT LTD.** sheet was on the last **5** years.
3. Analysis of financial statement can be undertaken by different persons and for different purposes, therefore, the scope of the AFS may be varying from one situation to another.
4. The last technique i.e. The ratio analysis is the most common, comprehensive and powerful tool of the AFS. The importance of ratio analysis lies in the fact that it presents facts on a comparative basis. As such, this study focuses only on this (ratio) analysis.

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5. profitability, liquidity, and solvency.

OBJECTIVES OF THE STUDY

- To ascertain the liquidity of the company.
- To measure the profitability of the organization.
- To examine the factors effecting financial and operational performance.
- To analyse the present financial positions as well as the future.
- To measure the efficiency of management in administering / monitoring the assets of the company.
- To measures the solvency of the company.
- To measure the financial strength of the company.
- To makes comparative study with other firms.

METHODOLOGY OF STUDY

Research, which is done for his particular project is with the help of data collection.
Data, which is collected, is mainly secondary data, which is collected from the account books of the Liberty Shoes Limited.
Here the research process, which is used, is as follows: -

RESEARCH DESIGN

Research design is a framework or the blue print for conducting the research project. Research design is the arrangement of conditions for collection and analysis of data in a manner that aims to combine relevance to the research purpose with economy in procedure. It includes an outline of what the researcher will do from writing the hypothesis and its operational implications to the final analysis of data.

1. SOURCES OF DATA

Primary data companies of information obtain from employees of this organization.

1.1. Secondary data :-

Secondary data companies of annual reports, questioning, ledger and past records.
Company has provided me annual reports from 2017-2021 by the help of which prepared my report.
In this project, I have used secondary data which has been collected from following sources:-

- ❖ Annual Reports
- ❖ Books
- ❖ Internet
- ❖ Other material and report published by company

1.2 Collection of data:

Data, which is collected for the research is secondary data as I had collected it from the account books of the company.

1.3 Analysis of data :

In this stage of research process the data is made in the tabulated whether data is adequate or not.

1.4 Execution of project:

When data is being collected then that the data is used for the execution of the project.

LIMITATIONS OF THE STUDY

1. The analysis and interpretation are based on secondary data contained in the published annual reports of the study period.

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2. Due to the limited time available at the disposable of the researcher the study has been confined for a period of 5 YEARS
3. Ratio itself will not completely show the company's good or bad financial position.
4. The study of financial performance can be only a means to know about the financial condition of the company and cannot show a complete picture of the activities of the company.

CONCEPTUAL FRAMEWORK

According to the American Institute of Certified Public Accountants, financial statements reflect "a combination of recorded facts, accounting conventions and personal judgments and conventions applied affect them materially". It means that data presented in financial statements is affected by recorded facts, accounting concepts & conventions and personal judgments.

a) Recorded facts: The term-recorded facts refer to the figures, which are shown in the book of accounts. The figures, which are not recorded in the books, are not depicted in financial statements, no matter how important or unimportant those facts are.

b) Accounting policies, Assumptions, concepts & conventions:

Accounting policies encompasses the principles, bases, conventions, rules and procedures adopted by in preparing and presenting financial statements. Accounting policies of the organization are consistently followed over along period of time and are reported as schedule to financial statements or as notes to financial statements in the annual report.

As per accounting standards Board, India, fundamental accounting assumptions mean "basic accounting assumptions which underline the preparation & presentation of financial statements. Usually, they are not specifically stated because their acceptance and use are assumed. Disclosure is necessary if they are not followed". Some fundamental accounting assumptions are going concern concept, consistency, accrual etc.

Accounting concepts are basic framework on the basis of which accounting work is carried out. Some accounting concepts are Business entity concept, Money measurement concept, going concern concept, cost concept, matching concept, Dual aspect concept etc.

Accounting conventions are the principles, which enjoy the sanctity of application on account of long usage, are termed as accounting conventions. E.g. consistency, conservatism, materiality, full disclosure.

INDUSTRY PROFILE

Cement industry in India

The Indian cement industry is directly related to the country's infrastructure sector and thus its growth is paramount in determining the development of the country. With a current production capacity of around 366 million tonnes (MT), India is the second largest producer of cement in the world and fueled by growth in the infrastructure sector, the capacity is expected to increase to around 550 MT by FY20.

India has a lot of potential for development in the infrastructure and construction sector and the cement sector is expected to largely benefit from it. Some of the recent major government initiatives such as development of 100 smart cities are expected to provide a major boost to the sector.

Expecting such developments in the country and aided by suitable government foreign policies, several foreign players such as the likes of Lafarge, Holcim and Vicat have invested in the country in the recent past. Another factor which aids the growth of this sector is the ready availability of the raw materials for making cement, such as limestone and coal.

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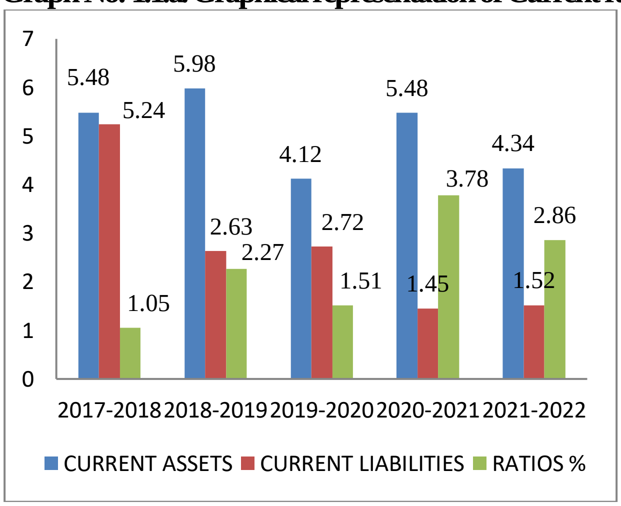
DATA ANALYSIS & INTERPRETATION CURRENT RATIO

Table No: 1.1 Tabular representation of Current ratio 2017-2022

YEARS	CURRENT ASSETS	CURRENT LIABILITIES	RATIOS%
2017-2018	5.48	5.24	1.05
2018-2019	5.98	2.63	2.27
2019-2020	4.12	2.72	1.51
2020-2021	5.48	1.45	3.78
2021-2022	4.34	1.52	2.86

Graph No: 1.1.a. Graphical representation of Current ratio 2017-2022



INTERPRETATION

The above ratio shows the position of the firm. An ideal current ratio is **2:1.** A firm having a seasonal trading activity may show a lower or higher current ration at a certain period of the year .So, it does not possible to maintain ideal ratio. The current ratio can also be manipulated very easily.

Similarly, the quick ratio is more conservative than the current ratio, a more well-known liquidity measure, because it excludes inventory from current assets. The ratio is also an indicator of short-term solvency of the company.

In Leverage ratio, a high proprietary ratio will indicate a relatively little danger to the creditors, etc., in the event of forced reorganization or winding up of the company. A ratio below 50% alarming for the creditors since they may have to lose heavily in the event of the company's liquidation on account of heavy losses.

In Activity ratio, a high working capital turnover ratio may be the result of favorable turnover of inventories and receivables. The low working capital turnover ratio indicates the efficient utilization of working capital. Working capital turnover ratio of the company was 2017-18(120.38) in the year 2019(17.4) and it had been increasing till the 2018-19 ,and in next the ratio was slow down to

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8.03,and in the year 2018 the ratio again increased to 2019-2020.In the 2017-18 the working capital ratio was very high, compare to rest of the years.

In the year 2017-18 the fixed assets turnover ratio was 5.24, and rest of the following year the ratio was slow down like 4.48.again increased 5.18(2019-2020). The overall performance of fixed assets turnover ratio of the company is not satisfactory up to the year 2019..The company following straight line method so net fixed assets was decreased.

The capital turnover ratio was very high in the year 2018.Capital turnover of the company was 3.10 in the year 2017 and next following year the ratio had increased to 3.25 and the ratio came to down to 1.48 in the year 2020 and again has increased.

Current assets to fixed assets 2017-2018 increased at the value 8.35 & 7.44(2018-19) it's identify profitability of company turnover each year stability.

FINDINGS

The current ratio of firm is not maintaining standard i.e. 2:1 in selecting period. So it indicates the idle funds and inefficient utilization of funds and indicates the weak position of the firm.

The company's current ratio maintaining average ratio 1:5.

- The quick ratio of company is also not at all supporting standard norm i.e. 1:1. So it shows inefficient utilization of the company funds.
- In case of proprietor ratio the company could not maintain the optimum level of the ratio. It is fluctuating.
- The company has maintained the efficient reserve and surplus throughout my study analysis.
- The company is maintaining weighted average method while calculating earnings per share.
- The return on investment ratio has continuously decreasing.
- Gross profit of company is fluctuating.
- Net profit of company is continuously decreasing trend in my analyses.

The company is maintaining fixed assets & current assets in proper manner.

SUGGESTIONS

- It is suggested for the company that it should maintain required level of current assets ratio.
- It is suggested that the company should maintain standard norm then only it can enhance the maximum profits.
- It is suggested that the company should maintain optimum level of proprietor ratio.
- Sales are very important to every organization to sustain the growth , so company should try to control the cost of goods sold.
- They have to go in for advertisement and sales promotion policy.
- The company profit has fluctuating so better to take strategic decisions, it must be made for the profit to increase.
- Funds are utilizing in proper manner.
- The company is following straight line method in depreciation so better to adopt diminishing method.
- Earnings per share value is continuously fluctuating trend so the must be maintain increasing trend.

CONCLUSION

This study on the financial performance of "KESORAM LIMITED" proved really useful to the company to assess its financial position. The study has brought the problem in maintaining constant liquidity of the company and the working capital which has to be improved to avoid financial crunch.

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In the future, the study was extremely useful in identifying the major areas of concern affecting the financial of the firm.

The study was also extremely useful for the researcher it gave several opportunities to learn the financial process of the company. It was a learning experience for the researcher as the study acted as a bridge to apply theory with practical application.

The study could be used as base for future studies in this area. The financial analysis is the authoritative tool for determining financial strength & weakness of the firm. The financial performance of the "KESORAM LIMITED "is good.

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