

A STUDY ON FINANCIAL PERFORMANCE OF JAYABHARATH MODERN RICE MILL AT VADAKKENCHERRY, PALAKKAD.

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Abstract

The analysis of financial statements is an important aid to financial analysis. They provide information on how the firm has performed in the past and what is its current financial position. Financial analysis is the process of identifying the financial strengths and weakness of the firm from the available accounting data and financial statements. The analysis is done by establishing relationship between the different items of financial statements.

The focus of financial analysis is on key figures in the financial statements and the significant relationship that exists between them. The analysis of financial statements is a process of evaluating relationship between component parts of financial statements to obtain a better understanding of the firm's position and performance.

Key words: Financial Performance – Financial Statements – Financial Analysis

1.1. INTRODUCTION

The financial statement provides the basic data for financial performance analysis. The financial statements provide a summarized view of the financial position and operations of a firm. Financial analysis (also referred to as financial statement analysis or accounting analysis) refers to an assessment of the viability, stability and profitability of a business. The analyst first identifies the information relevant to the decision under consideration from the total information contained in the financial statements. Therefore, much can be learnt about a firm from a careful

The first task of financial analyst is to select the information relevant to the decision under consideration from the total information contained in the financial statement. The second step involved in financial analysis is to arrange the information in a way to highlight significant relationships. The final step is interpretation and drawing of inferences and conclusions. In brief, financial analysis is the process of selection, relation, and evaluation.

1.2. STATEMENT OF THE PROBLEM

The study has undertaken to know the financial health of an organization by considering the following aspects, by evaluating the long-term liquidity position of the company, through studying the profitability position of the company, by comparing and interpreting financial statements of the company and to know the financial strength and weakness of the company, finally for evaluating the operational efficiency of the firm.

1.3. IMPORTANCE OF THE STUDY

The study is said to be important as it enables the research and firm to assess the financial position of an organization. It also signifies the company's future performance by studying and evaluating the previous performances. Thus the project work helps the company to assess its overall performance so that changes can be made in future perspectives.

1.4. SCOPE OF THE STUDY

The scope of the study involves the various factors that affect the financial efficiency of the company. To increase the profit and sales growth of the company. This study finds out the operational efficiency of the organization and allocation of resources to improve the efficiency of the organization. The data of the past three years are taken into account for the study. The performance is compared within those periods. This study finds out the areas where Jayabharath Modern Rice Mill can improve to increase the efficiency of its assets and funds employed.

1.5. OBJECTIVES OF THE STUDY

1. To evaluate the long-term liquidity position of the company.
2. To study the profitability position of the company.
3. To compare and interpret financial statements of the company.
4. To know the financial strength and weakness of the company.
5. To evaluate the operational
6. efficiency of the firm.

1.6. RESEARCH METHODOLOGY

1.6.1. INTRODUCTION

Research can be defined as an scientific and systemic search for pertinent information on a specific topic. Therefore, research is considered as an organized activity with specific objectives on a problem or issues supported by compilation of related data and facts, involving application of relevant tools of analysis and deriving logically on originality.

1.6.2. RESEARCH DESIGN

Research Design is the arrangement of condition for collection and analysis of data in manner that aims to combine relevance to the research purpose with the economy in procedure. Research Design is important primarily because of the increased complexity in the market as well as marketing approaches available to the researchers. A research design specifies the methods and procedures for conducting a particular study.

1.6.3. TYPE OF RESEARCH

- **ANALYTICAL RESEARCH**

In this type of research has to use facts or information already available, and analyze these to make a critical evaluation of the material. The researcher depends on existing data for his research work. The analysis revolves round the material collected or available.

1.6.4. SOURCE OF DATA

- **SECONDARY DATA**

Secondary Data refers to the information or facts already collected such data are collected with the objectives of understanding the past status of any variable or the data collected and reported by some source is accessed and used for the objective of a study. Normally in research, the scholars collect published data, journals, annual reports and websites.

1.6.5. TOOLS USED FOR ANALYSIS

The study employs the following analytical tools:

- (1) Ratio Analysis
- (2) Common-size Statement Analysis
- (3) Comparative Statement Analysis

1.7. LIMITATIONS OF THE STUDY

Following are the limitations of the study:

- It is very difficult to lay down a common standard comparison because circumstances differ from concern to concern and nature of each company is different.
- The study is limited for 5 years only, it will not be possible to analyze future performances.
- The study of financial performance can be only a means of know about financial condition of the company and cannot show a through picture of the activities of the company
- Mainly secondary data were use. The reliability of secondary data cannot be ensured properly.
- Limited time frame is the major constrain of the study.

1.8. REVIEW OF LITERATURE

Khalid S.M (2012), analyzed that ratios are calculated from financial statements which are prepared as desired policies adopted on depreciation and stock valuation by the management. Ratio is simple comparison of numerator and a denominator that cannot produce complete and authentic picture of business. Results are manipulated and also may not highlight other factors which affect performance of firm by promoters.

Joshunar (2013), has identified that the financial strength and weakness of the Tata motors Ltd. using past 5 year financial statements. Trend analysis & ratio analysis used to comment of financial status of company. Financial performance of company is satisfactory and also suggested to increase the loan levels of company for the better performance.

Rakhi (2013), examines that the profitability position and growth of company in light of sales and profitability of Tata Motors for past ten years. Data is analyzed through rations, standard deviations and coefficient of variance. The study reveals that there not exists a strong relationship between sales & profitability of company.

Anbumani (2006), he argue that Ratio Analysis enables the business owner/manager to spot trends in a business and to compare its performance and condition with the average performance of similar businesses in the same industry. To do this compare your ratios with the average of businesses similar to yours and compare your own ratios for several successive years, watching especially for any unfavorable trends that may be starting. Ratio analysis may provide the all-important early warning indications that allow you to solve your business problems before your business is destroyed by them.



1.9 AN OVER VIEW OF FINANCIAL STATEMENT ANALYSIS

COMMON-SIZE STATEMENT ANALYSIS

COMMON-SIZE BALANCE SHEET OF JAYABHARATH MODERN RICE FOR THE YEAR 2017 AND 2018

TABLE NO:1

Particulars	2017		2018	
	Amount (Rs.)	Percentage (%)	Amount (Rs.)	Percentage (%)
Assets:				
Current Assets	55333177	82.33	75607737	85.46
Investment	61200	0.09	61200	0.07
Fixed Asset	11817935	17.58	12802563	14.47
Total Asset	67212314	100	88471500	100
Liabilities and Capital:				
Current Liability	4891350	7.28	6970915	7.88
Loans	25093298	37.33	34323351	38.80
Total Liability (A)	29984648	44.61	42194266	46.68
Capital and Reserve:				
Share Capital	37227665	55.39	47177233	53.32
Reserve & Stock	-	-	-	-
Total Shareholders Funds (B)	37227665	55.39	47177233	53.32
Total Liabilities and Capital (A+B)	67212314	100	88471500	100

Source: Secondary Data

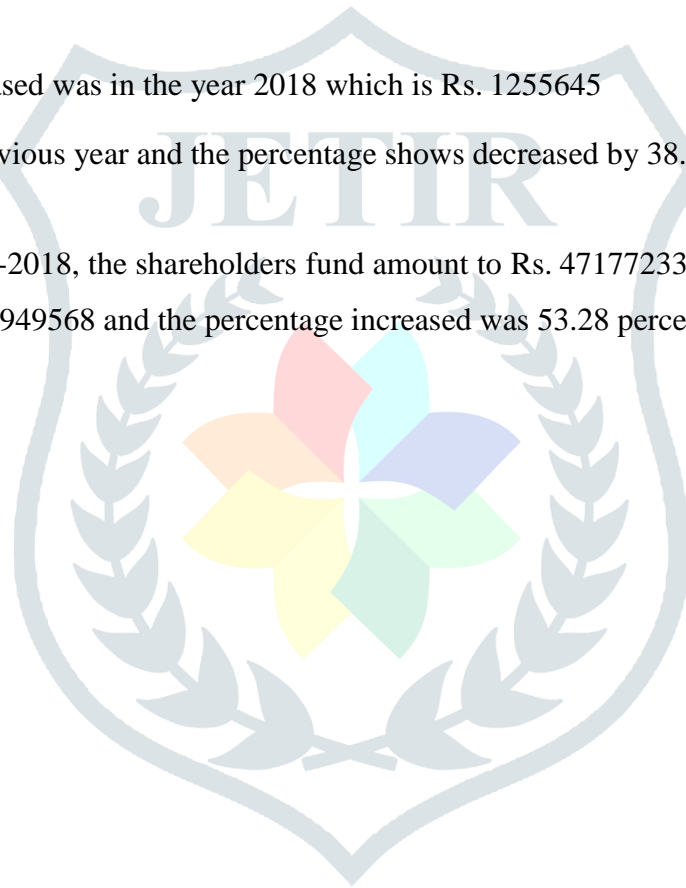
The current assets have increased during the financial year 2018 is 85.46 percentage which is comparing to 2017 was 82.33 of the Jayabharath Modern Rice Mill.

There was an increase in fixed assets of Rs.984628 comparing to the year 2018. Higher the ratio is more than the efficiency in utilization of fixed assets.

The current liabilities have been increased to 7.88 percentage of the total liabilities of the Jayabharath Modern Rice Mill. during the year 2018. The current liability was 7.28 percentage of the total liabilities during the year 2017.

Loan has been increased was in the year 2018 which is Rs. 1255645 comparing to the previous year and the percentage shows decreased by 38.80 percentage

During the year 2017-2018, the shareholders fund amount to Rs. 47177233, it has been increased to the amount of Rs.9949568 and the percentage increased was 53.28 percentage in 2018.



**COMMON-SIZE BALANCE SHEET OF JAYABHARATH MODERN RICE FOR THE
YEAR 2016 and 2017**

TABLE NO:2

Source: Secondary Data

Particulars	2016		2017	
	Amount (Rs.)	Percentage (%)	Amount (Rs.)	Percentage (%)
Assets:				
Current Assets	52928370	81.73	55333177	82.33
Investment	61200	0.09	61200	0.09
Fixed Asset	11771946	18.18	11817935	17.58
Total Asset	64761516	100	67212314	100
Liabilities and Capital:				
Current Liability	5687589	8.78	4891350	7.28
Loans	26348943	40.69	25093298	37.33
Total Liability (A)	29984648	49.47	29984648	44.61
Capital and Reserve:				
Share Capital	32724984	50.53	37227665	55.39
Reserve & Stock	-	-	-	-
Total Shareholders Funds (B)	32724984	50.53	37227665	55.39
Total Liabilities and Capital (A+B)	64761516	100	67212314	100

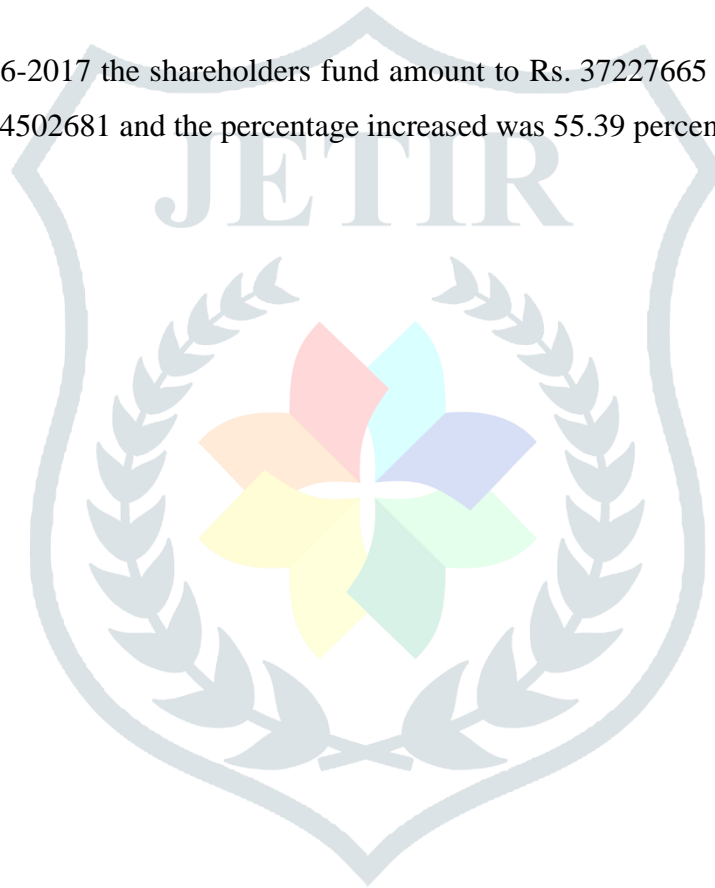
The current assets have increased during the financial year 2017 is 82.33 percentage which is comparing to 2016 was 81.73 of the Jayabharath Modern Rice Mill.

There was an increase in fixed assets of Rs.485989 comparing to the year 2018. Higher the ratio is more than the efficiency in utilization of fixed assets.

The current liabilities have been decreased to 7.28 percentage of the total liabilities of the Jayabharath Modern Rice Mill. during the year 2017. The current liability was 8.78 percentage of the total liabilities during the year 2016.

Loan has been increased was in the year 2017 which is Rs.9230053 comparing to the previous year and the percentage shows increase by 37.33 percentage

During the year 2016-2017 the shareholders fund amount to Rs. 37227665 it has been increased to the amount of Rs.4502681 and the percentage increased was 55.39 percentage in 2017.



**COMMON-SIZE BALANCE SHEET OF JAYABHARATH MODERN RICE FOR THE
YEAR 2015 and 2016**

TABLE NO:3

Source: Secondary Data

Particulars	2015		2016	
	Amount (Rs.)	Percentage (%)	Amount (Rs.)	Percentage (%)
Assets:				
Current Assets	52405907	81.50	52928370	81.73
Investment	61200	0.10	61200	0.09
Fixed Asset	11832454	18.40	11771946	18.18
Total Asset	64299516	100	64761516	100
Liabilities and Capital:				
Current Liability	8636718	13.43	5687589	8.78
Loans	23941721	37.23	26348943	40.69
Total Liability (A)	32578439	50.67	29984648	49.47
Capital and Reserve:				
Share Capital	31721121	49.33	32724984	50.53
Reserve & Stock	-	-	-	-
Total Shareholders Funds (B)	31721121	49.33	32724984	50.53
Total Liabilities and Capital (A+B)	64299516	100	64761516	100

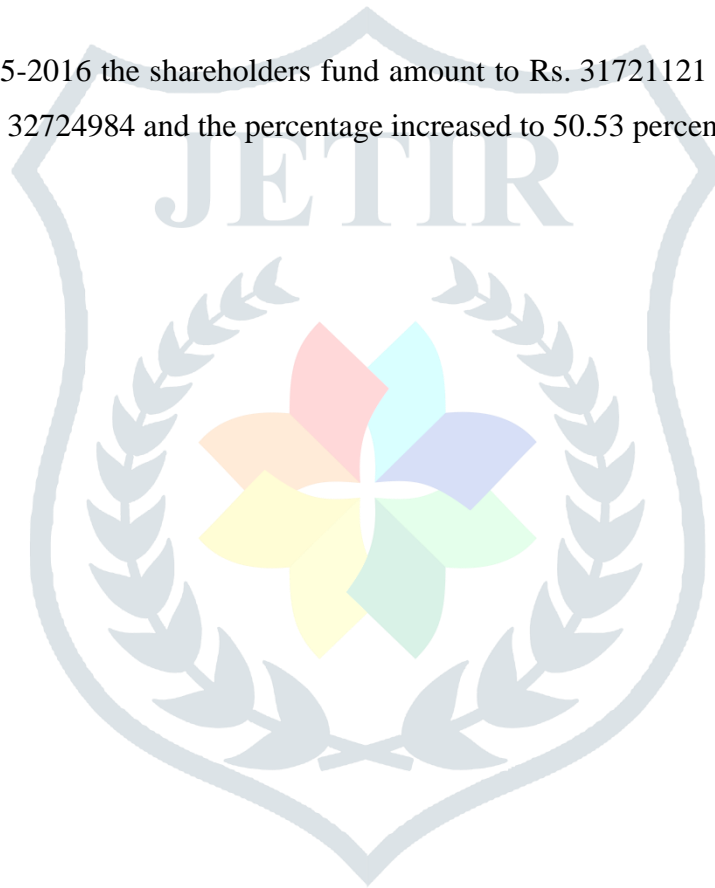
The current assets have increased during the financial year 2016 is 81.73 percentage which is comparing to 2015 was 81.50 of the Jayabharath Modern Rice Mill.

There was an increase in fixed assets of Rs.485989 comparing to the year 2018. Higher the ratio is more than the efficiency in utilization of fixed assets.

The current liabilities have been decreased to 8.78 percentage of the total liabilities of the Jayabharath Modern Rice Mill. during the year 2016. The current liability was 13.43 percentage of the total liabilities during the year 2016.

Loan has been increased was in the year 2016 which is Rs.2407222 comparing to the previous year and the percentage shows increase by 37.23 percentage

During the year 2015-2016 the shareholders fund amount to Rs. 31721121 it has been increased to the amount of Rs. 32724984 and the percentage increased to 50.53 percentage in 2016.



**COMPARATIVE BALANCE SHEET OF JAYABHARATH MODERN RICE MILL
FOR THE YEAR 2016 and 2017**

TABLE NO:4.4.2

Particulars	2016 (Rs.)	2017 (Rs.)	Amount Increase / Decrease during 2016-2017 (Rs.)	Percentage Increase / Decrease during 2016-2017 (In %)
Assets:				
Current Assets	52928370	55333177	+2404807	+4.54
Investment	61200	61200	0	0
Fixed Asset	11771946	11817935	+45989	+0.39
Total Asset	64761516	67212314	+2450796	+3.78
Liabilities and Capital:				
Current Liability	5687589	4891350	-796239	-14.00
Loans	26348943	25093298	-1255645	-4.77
Total Liabilities (A)	32036532	29984648	-2051884	-6.40
Capital and Reserve:				
Share Capital	32724984	37227665	+4502681	+13.76
Reserve & Stock	-	-		
Total Shareholders Funds (B)	37227665	37227665	+4502681	+13.76
Total Liabilities and Capital (A+B)	64761516 =====	67212314 =====	+2450796 =====	+3.78 =====

Source: Secondary Data

Fixed assets has been increased was Rs. 11817935 in the year 2017 which is comparing to the previous year and the percentage shows increase by 0.39.

In the financial year 2016 – 2017 the current asset was increased to Rs. 52928370 to Rs. 55333177. Which means it was increased 4.54 percentage.

During the year 2016, the shareholders fund amount to Rs. 32724984 it has been increased to the amount of Rs. 37227665 and percentage increased was 13.76.

During the financial year 2016 – 2017 the overall total asset was increased in Rs. 2450796. Which is increased percentage in 3.78. and it shows the above analysis table.



FINDINGS OF THE STUDY

- The position as regard gross profit is found satisfaction. The maintain a steady gross profit.
- Most of the year the company maintain the debt equity ratio that means the total debt and shareholders funds are maintaining very well.
- The quick ratio is rigorous measure of firms ability to service shot term liabilities.
- The working capital turnover ratio shows that working capital is efficiently utilized to increase the sales.
- The net profit ratio In the year of 2013-2014 and 2015-2016 was in loss and it decreased to -0.01, -0.09 percentage respectively. It shows the financial weakness of the company.
- A stationary current ratio would enable a firm to meet its obligation even when the value of current asset. In 2016 – 2017 and 2017 – 2018 the ratio is expressed increasing tendency.
- Net profit ratio of the company is constant fluctuating. But presently the profitability of the company is satisfactory.

SUGGESTIONS OF THE STUDY

- The company may increase the sales if it attempts to move in to export market.
- The company may reduce the operating inefficiencies through effective utilization of all resources.
- The operating expenses of the company seem to be under control, so it can be suggested to maintain this level.
- The company must effectively utilize its fixed assets to maintain its profit.
- The availability of quality raw material is the big problem facing by the company. So the company should make detailed research to find the quality raw materials.
- The firm also find lagging in collecting money from the debtors, so company should make proper credit terms collection period.

CONCLUSION

The study has been carried on with respect to analyzing the financial performance of the business. Finance is the life blood of every business from this project was get a brief knowledge and experience of that hour to analyses the finance performance of the firm by using various ratios, commonsize and comparative balance sheet. From this project we came to know that the financial performance of jaya it helped me to know to use theoretical knowledge in practical situation, to provide valuable decision for decision making.

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