



A STUDY ON FINANCIAL VIABILITY IN LOGISTICS COMPANY

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ABSTRACT

This project deals with the study on Financial Viability of Ellipso Logistics. The main objective of this project is to analyze the Financial Viability of the company and the liquidity position of the company for each year and to find out the efficiency of the company using financial ratios like profitability ratios, turnover ratio & solvency ratio of the company and to apply the related ratios in order to analyze the Financial Viability of the company and to suggest suitable suggestions.

This project is about the Financial Viability of the Ellipso Logistics. By calculating the important key ratios of the company with the help of the financial statement for the 5 years, researcher analyze where the company is standing in the market in order to predict the future, the project deals with the competitors in the market. And what will be the opportunities and the threat for the company in the market. The researcher not only considered the key ratios and also the current trend in the market to predict the future.

For analyzing the Financial Viability of the Ellipso Logistics, secondary data such as balance sheet, the financial statements of the company are collected and also the tools have been applied. Finally, from the analysis and interpretation of the study, it has been concluded about the company performance as it is improving by increasing its capital. Ratios are dynamic for every year. The study suggests that the company needs to improve its capital position decisions to maximize its earnings for the fourth coming years.

Keywords: Financial Viability, Financial Ratio, Ratio Analysis

INTRODUCTION

FINANCIAL STATEMENT ANALYSIS

Every business concern wants to know the various financial aspects for effective decision making. The main aim of preparing a financial statement is to achieve the objectives of the firm as a whole. The term financial statement refers to an organized collection of data on the basis of accounting principles and conventions to disclose its financial information.

DEFINITION

According to John N. Myer (1985), “the financial statements provide a summary of the accounts of a business enterprise, the balance sheet reflecting the assets, liabilities and capital as on a certain date and the income statement showing the results of operations during a certain period”.

According to Anthony (1976), “ financial statements, essentially, are interim reports, presented annually and reflect a division of the life of an enterprise into more or less arbitrary Accounting period more frequently in a year”.

Financial statements are broadly grouped into two groups.

1. Income Statements (Trading, Profit and loss Account)
2. Balance Sheets

NATURE OF FINANCIAL STATEMENTS

Financial statements are prepared on the basis of business transactions recorded in the books of Original Entry or Subsidiary books, Ledger and Trial balance. Recording the transactions in the books of primary entry is supported by document proofs such as vouchers, invoice notes etc.

According to the American institute of certified Public Accountants, “Financial statement reflects a combination of recorded facts, accounting conventions and personal judgments; and conventions applied affect them materially”. It is, therefore concluded that the nature and accuracy of the data included in the financial statements are in the financial statements are influenced by the following factors:

1. Recorded facts concerning the business transactions.
2. Generally accepted accounting principles.
3. Personal judgments.
4. Accounting conventions adopted to facilitate the accounting technique.

CONCEPT OF FINANCIAL STATEMENT

Financial statement also called financial report, refers to such statements as it contains financial information of the enterprise. They are over all general purpose entity statement as the report financial position and operation results of an enterprise business at end of account period. As a matter of fact, these statements reflect the total of the summary of the books of account.

FINANCIAL VIABILITY ANALYSIS

Financial Viability 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 Viability analysis.

The dictionary meaning of 'analysis' is to resolve or separate a thing into its element or component parts for tracing their relation to the things as whole and to each other.

The analysis of financial statement is a process of evaluating the relationship between the component parts of financial statement to obtain a better understanding of the firm's position and performance. This analysis can be undertaken by management of the firm or by parties outside the firm, namely, owners, creditors, investors and others.

Objectives

- ✓ To find out the financial position of the company overall five years
- ✓ To find out the efficiency of the company using financial ratios like profitability ratios, turnover ratio & solvency ratio of the company.
- ✓ To find out the liquidity position of the company.
- ✓ To study the performance of company through comparative analysis.
- ✓ To find out possibilities to suggest better financial viability of the company.

Review of Literature

Financial Analysis (Dr.Kamm), Department of Finance, GSB

Financial Analysis is designed for finance majors in order to improve their skills at analyzing companies and to advance their knowledge of finance theory and application. The overall financial analysis includes: bond valuation, financial statement analysis, financial ratios, financial forecasting, beta and the CAPM, the weighted average cost of capital, the Gordon Growth model, discounted cash flow analysis and multiples. Students are expected to integrate skills of finance, economics, and accounting in the course. The course is quantitative and analytical in nature; we made use of the trading center throughout most of the term. Students calculate and interpret financial data, build spreadsheet models, and make general conclusions about the financial health of a company and its intrinsic value.

Measuring Financial Viability (A Critical Key to Managing Risk) Dr. Laurence M.Crane Financial Statements

Financial statements help assess the financial well-being of the overall operation. Information about the financial results of each enterprise and physical asset is important for management decisions, but by themselves are inadequate for some decisions because they do not describe the whole business. An understanding of the overall financial situation requires three key financial documents: the balance sheet, the income statement and the cash flow statement.

Financial Viability Measures

The recommended measures for financial analysis are grouped into five broad categories: liquidity, solvency, profitability, repayment capacity and financial efficiency.

Financial measures are intended to help operations analyze their activities from a financial stand point and provide useful information needed to make good management decisions.

By themselves, the financial measures discussed don't provide answers—they need to be reviewed in relation to each other and to other non-operation activities. It is not possible to control or predict all of the factors that influence the final outcome of any operational decision. Nor is it possible to have available all of the information that would be ideal. But decision making can be improved through using available information and through effective financial planning and analysis.

Advanced Financial Statements Analysis - By David Harper

The System

Financial statements paint a picture of the transactions that flow through a business. Each transaction or exchange - for example, the sale of a product or the use of a rented a building block - contributes to the whole picture.

Let's approach the financial statements by following a flow of cash-based transactions. In the illustration below, we have numbered four major steps:

1. Shareholders and lenders supply capital (cash) to the company.
2. The capital suppliers have claims on the company. The balance sheet is an updated record of the capital invested in the business. On the right-hand side of the balance sheet, lenders hold liabilities and shareholder's hold equity. The equity claim is "residual", which means shareholders own whatever assets remain after deducting liabilities. The capital is used to buy assets, which are itemized on the left-hand side of the balance sheet. The assets are current, such as inventory, or long-term, such as a manufacturing plant.
3. The assets are deployed to create cash flow in the current year (cash inflows are shown in green, outflows shown in red). Selling equity and issuing debt start the process by raising cash. The company then "puts the cash to use" by purchasing assets in order to create (build or buy) inventory. The inventory helps the company make sales (generate revenue), and most of the revenue is used to pay operating costs, which include salaries.
4. After paying costs (and taxes), the company can do three things with its cash profits. One, it can (or probably must) pay interest on its debt. Two, it can pay dividends to shareholders at its discretion. And three, it can retain or re-invest the remaining profits. The retained profits increase the shareholders' equity account (retained earnings). In theory, these reinvested funds are held for the shareholders' benefit and reflected in a higher share price.

The Profession of Professional “Financial Analysis” By: Abdullah MohammadKhan Wahid Post On: October 4, 2007.

A financial analysis is responsible for a wide range of functions such as account processing payable and receivable operations, taking into account the transfer of assets and the closing of the books as soon as possible. Properly fulfill these functions is essential for a company, on the basis of precise handling operations and accurate financial statements. These activities are clearly on the basis of any successful career in financial analysis. However, the organizer has exceptional skills in analyzing appropriate funding for success.

This article was calculated to facilitate analysis financial support for a breadth and depth of the largest financial analysis.

Traditionally – the main objective of the accounting department has been processing transactions, customer billing, payments to suppliers, etc. These are routine activities that are invisible, but vital. Most employees of the company, but it is always necessary for the success of an organization.

However, the role of accounting staff that has been changed companies facing increasing competition from organizations around the world. Now, managing a business needs advice and transaction flow smoothly? Accordingly, the financial analyst is not only to fill the role of traditional transaction processing, but also to continue to review company operations, evaluating investments, relationship problems and recommendations for management, and respond to requests by the management team of Special Investigations. All these new tasks can be considered as financial analysis, because require the application of review procedures for operational activities and financial investment in a company.

RESEARCH METHODOLOGY

Research methodology is a way to systematically solve the research problem. It may be understood as a science of study how research is done scientifically. In this study the various steps that are generally adopted by the researcher in studying his research problem along with the logic behind them.

Research design

The proposed study is of **descriptive in nature**. Research design is needed because it facilitates the smooth sailing of the various research operations, thereby making research as efficient as possible. A research design for a particular problem usually involves the consideration of the following factors.

RESEARCH TYPE

Research type is the basic frame work which provides guidelines for the research process. The research design chosen for the study by the researcher was Analytical in nature. The researcher has to use facts of information already available. The researcher has to analyze facts to make critical evaluation of the material.

The choice of the research type depends on the depth and extent of data recording, the cost and benefits of research, the urgency of work, the time availability of competing its research and the blue print of the

research project.

TOOLS USED FOR ANALYSIS

- ✓ Ratio analysis
- ✓ Common size balance sheet statement.
- ✓ Comparative balance sheet statement.
- ✓ Trend percentage analysis.

Table: 5.1.1 Proprietary Ratio

Year	Shareholder fund	Total Asset	Ratio (Times)
2018	49032.66	721526.32	0.067957
2019	57947.70	964432.08	0.060085
2020	65949.20	1053413.74	0.062605
2021	64986.04	1223736.20	0.053105
2022	83951.20	1335519.24	0.062860

SIGNIFICANCE

It shows that proprietary ratio was high in the year 2018 with 0.067957 and low in the year 2021 with 0.053105. Thus, it can be said that the company is maintaining the long term solvency. The current year (2022) proprietary ratio is found to be 0.06286 it is in an increasing position.

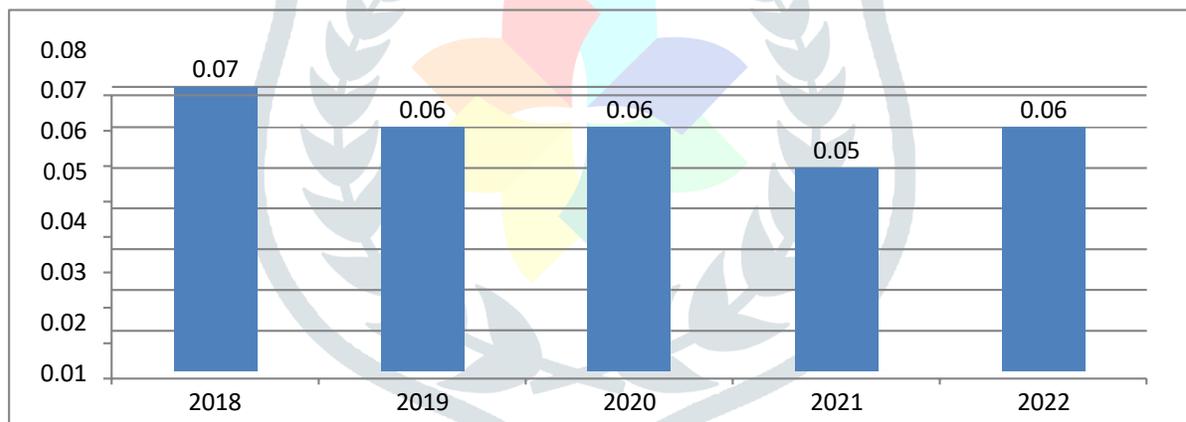


Chart: 1- Proprietary Ratio

Table: 2- Current Ratio

Year	Current Asset	Current Liability	Current Ratio
2018	484234.54	83362.30	5.81
2019	646907.00	110697.57	5.84
2020	728098.00	80336.70	9.06
2021	879593.60	105248.39	8.36
2022	964742.06	80915.09	11.92

SIGNIFICANCE

It shows that current ratio was high in the year 2022 with 11.92 and low in the year 2018 with 5.81. The current year (2022) current ratio is found to be the highest (11.92) due to the decrease in the liabilities.

Chart: 2 -Current Ratio

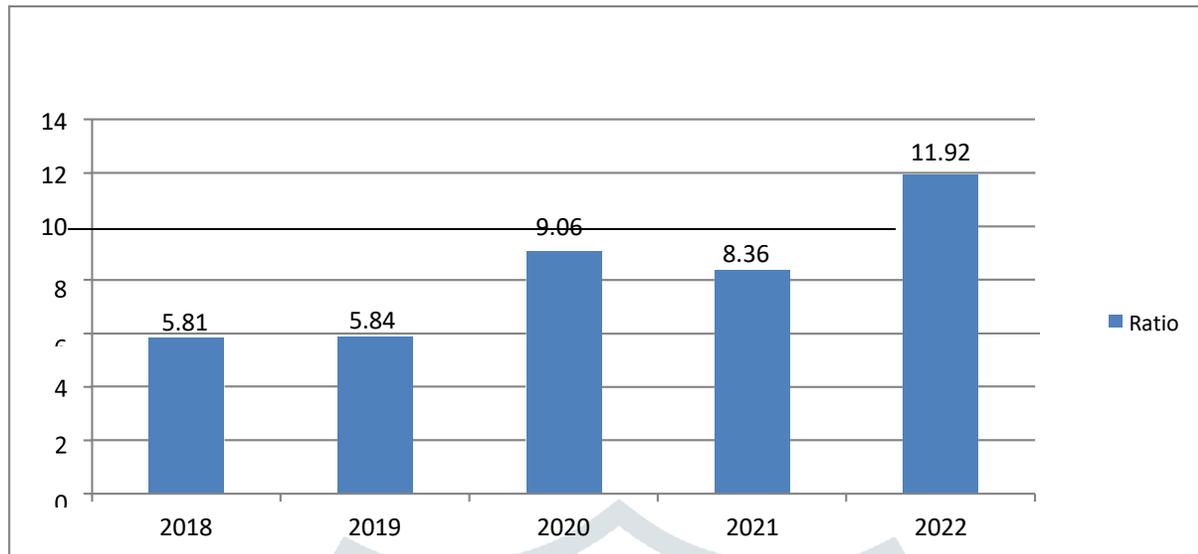


Table: 3- Cash Position Ratio

Year	Cash-company	Current liabilities	Ratio (Times)
2018	67,466.34	83362.30	0.81
2019	104,403.80	110697.57	0.94
2020	96,183.85	80336.70	1.20
2021	122,874.15	105248.39	1.17
2022	97,163.17	80915.09	1.20

SIGNIFICANCE

From the table, it is inferred that the cash position ratio is high in the years 2020 and 2022 with 1.20 and low in the year 2018 with 0.81. The current year (2022) cash position ratio has increased to 1.20 when compared to the previous year 2021 with 1.17.

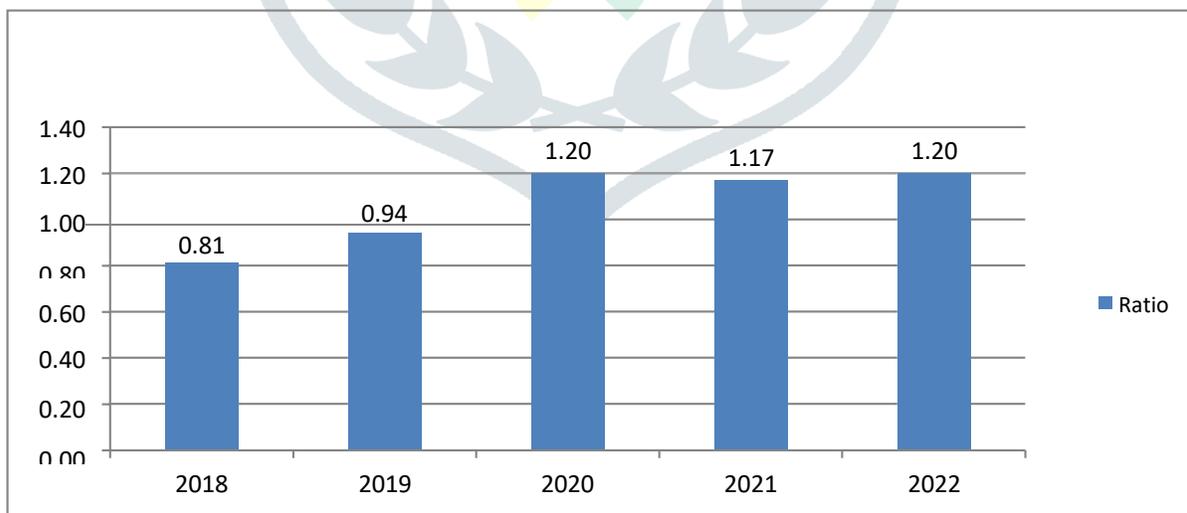


Chart: 3- Cash Position Ratio

Table: 5 - Earning Per Share

SIGNIFICANCE

Years	Net Profit After Preference Dividend	No. of equity shares	Ratio (Times)
2018	6,729.46	63.15	106.56
2019	9,121.57	63.49	143.67
2020	9,166.39	63.49	144.37
2021	7,370.69	63.50	116.07
2022	11,713.34	67.26	174.15

The earnings per share shows were found to be high in the year 2022 with 174.15 and low in the year 2019 with 143.67. The current year (2022) earnings per share ratio are found to be increasing with 174.15 when compared to the previous year with 116.07. This is due to the increase in the net profit

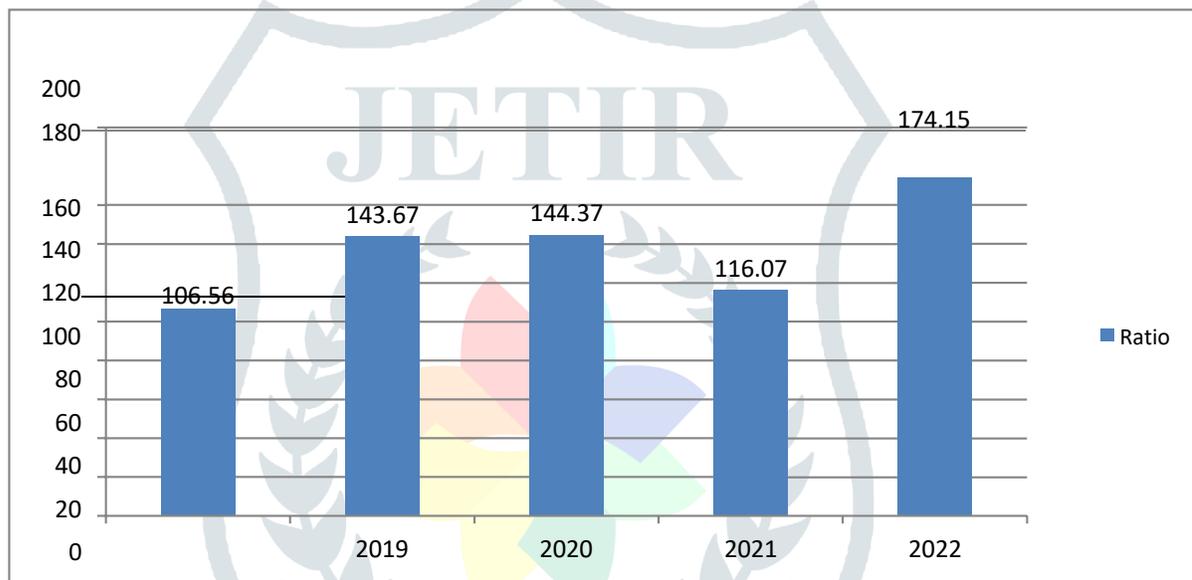


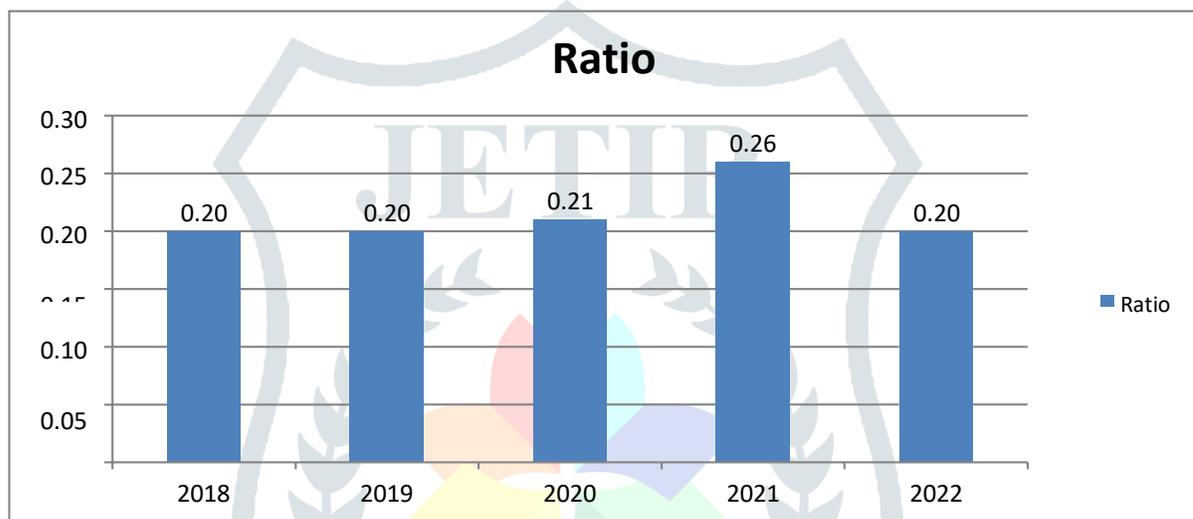
Chart: 5 – Earnings per Share

TABLE: 6- Dividend Payout Ratio: Dividend Payout Ratio = Total Dividend / Total Income

Year	Total Dividend	Total Income	Ratio's
2018	1,357.66	6,729.46	0.20
2019	1,841.15	9,121.57	0.20
2020	1,904.65	9,166.39	0.21
2021	1,905.00	7,370.69	0.26
2022	2,348.66	11,713.34	0.20

Significance:

From the above table it is found that the dividend payout ratio is found to be high in the year 2021 with 0.26 and low in the years 2018, 2019 and 2022 with 0.20. The current year 2022 dividend payout ratio is found to be decreasing with 0.20 when compared to the previous year.

**Chart: 6- Dividend Payout Ratio****FINDINGS**

- ✓ The current year (2022) proprietary ratio is found to be 0.06286 it is in an increasing position.
- ✓ The current year (2022) current ratio is found to be the highest (11.92) due to the decrease in the liabilities.
- ✓ The current year (2022) cash position ratio has increased to 1.20 when compared to the previous year 2021 with 1.17.
- ✓ The current year (2022) earnings per share ratio is found to be increasing with 174.15 when compared to the previous year with 116.07.
- ✓ The current year 2022 dividend payout ratio is found to be decreasing with 0.20 when compared to the previous year.
- ✓ The trend analysis for net income is lowest in the year 2022 with 57.45.
- ✓ The current year 2022 trend percentage for current asset is 50.19.

SUGGESTIONS

- ✓ Company may look into the measures how to reduce the loans and advances in the coming periods.
- ✓ Company may look into maintain the current assets and current liabilities. Current liabilities may reduce coming periods.
- ✓ It is suggested to the company can strongly focus on cost reduction strategy that will make a company more profitability.
- ✓ The company has a bright future if it concentrates more on its working capital short term, investments, thus achieving the overall objectives of the company.
- ✓ Thus it is essential to avoid excessive liquidity but to maintain sufficient liquidity to ensure smooth running of the company's operation.
- ✓ The company has better liquidity position and has to maintain same in the future.

CONCLUSION

The efficient and smooth functioning of all the activities of the company depends upon the financial performance of the company. The financial performance analysis thus is a forward-looking exercise as it is helpful in future financial planning decision making. It determines to analysis forecasting future financial position. Through financial statement analysis, the present position and operating efficiency of the firm as a whole and its different departments can be identified. Further, the reasons for change in the profitability financial position of the firm can be found and necessary measures can be taken.

Financial performance can improve the financial strength of company. The company's liquidity position has to increase and it will solve future problem. The company is maintaining the reserves and surplus better so it can face financial stress in the future. To properly maintain financial performance to achieve the company goal.

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