



A STUDY ON FINANCIAL STATEMENT ANALYSIS OF VSARK CONTROL PANELS LTD IN COIMBATORE CITY

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ABSTRACT Finance is a broad term that essentially refers to money management or money for various purposes. It applies to people, businesses, governments, organizations, or other entities. Finance includes banking, debt, capital markets, investments, credit, assets and liabilities, financial systems, and the governance and study of money. In a personal context, personal finance is managing, saving, and investing one's money. In a business setting, it handles acquiring funds for the business, managing existing funds, and planning how to spend funds in the future. Finally, for the public, finance refers to managing the government's activities related to budgeting, spending, deficits, and taxation. Finance is the study and discipline of money, currency and capital assets. It is related to, but not synonymous with economics, which is the study of production, distribution, and consumption of money, assets, goods and services (the discipline of financial economics bridges the two). Finance activities take place in financial systems at various scopes, thus the field can be roughly divided into personal, corporate, and public finance. Furthermore, recommendations have been formulated based on the findings of the analysis. These recommendations encompass strategies for maximizing financial performance, managing risks, and capitalizing on emerging opportunities.

KEYWORDS :

INTRODUCTION

Finance is a broad term that essentially refers to money management or money for various purposes. It applies to people, businesses, governments, organizations, or other entities. Finance includes banking, debt, capital markets, investments, credit, assets and liabilities, financial systems, and the governance and study of money. In a personal context, personal finance is managing, saving, and investing one's money. In a business setting, it handles acquiring funds for the business, managing existing funds, and planning how to spend funds in the future. Finally, for the public, finance refers to managing the government's activities related to budgeting, spending, deficits, and taxation. Finance is the study and discipline of money, currency and capital assets. It is related to, but not synonymous with economics, which is the study of production, distribution, and consumption of money, assets, goods and services (the discipline of financial economics bridges the two). Finance activities take place in financial systems at various scopes, thus the field can be roughly divided into personal, corporate, and public finance.

Statement of the Problem

This study is about the sole trading company where they have number of innovative products, where they don't aware about the products stage and also the study helps to know about the company profitability turnover analysis. Calculating profit and maximization of profit helps to improve the wealth of the organisation. In this aspect the study was undertaken, analyse the financial statement of VSARK Control Panel.

Objective

1. To evaluate the liquidity and profitability of the VSARK Control Panels.
2. To measure the financial position of the business concern.
3. To measure the solvency position of the business concern.
4. To study the earning capacity of VSARK Control Panels.

Research Methodology

The research methodology adopted for the present study has been systematic and was done in accordance to the objectives set, which has been discussed in the earlier pages. Research methodology is the way to systematically research to solve the problem. Research methodology as many dimension and research method constitute the part of it thus when we talk of research method we use and explain why we use the particular method or technique and evaluation of results.

Different Types of Financial Ratios

There are two methods in which ratios are categorised. The first is the traditional method, where ratios are divided on the source of the accounting statement from where they are received. The second is

functional distribution, grounded on the merits of the financial ratios and the idea for which they are financial ratios can be classified into two (2) types:

- Traditional classification
- The Functional classification

The traditional division has been made on the grounds of financial statements to which the determinants of ratios belong. Based on this principle the ratios are categorised as follows

Profit and Loss Ratio:

A ratio of 2 variables from the financial statement of P&L is referred to as a statement of P&L ratio. For instance, the proportion of gross profit to revenue from transactions is referred to as the gross profit ratio. It is computed utilising both figures from the statement of P&L.

Composite Ratio:

If a ratio is calculated with 1 variable from the record of P&L and another variable from the B/S, it is known as a composite ratio. Say, for instance, the ratio of credit revenue of transactions to trade receivables (also known as trade receivables turnover ratio) is computed utilising 1 figure from the statement of P&L (credit revenue from operations) and another figure (trade receivables) from the B/S.

Balance Sheet Ratio:

In case both the variables are from the balance sheet, it is called B/S ratios. For instance, the ratio of current assets to current liabilities is referred to as the current ratio. It is computed utilising both figures from the Balance Sheet. The functional categorisation has been on the grounds of financial statements to which the determinants of ratios belong. Based on this principle the ratios are categorised as follows:

Liquidity Ratios:

An enterprise has to maintain some degree of liquidity in order to pay the shareholders their share when they are outstanding. Assets of the enterprise cannot be firmed up; an enterprise must take care of its short-term liquidity. Such ratios help in managing liquidity, so the enterprise may correct any issues. The two (2) principal liquidity ratios are

- Quick Ratio (or liquid ratio)
- Current Ratio.

Leverage Ratios:

Leverage ratios ascertain the enterprise's capability to pay its long-term deficit. So they determine the association between the owner's capital and the liability of the organisation. They truly determine the long-term financial health of an enterprise, whether it has sufficient assets to repay all its shareholders, as well as all liability on the B/S.

This is the reason they are known as Solvency ratios.

Some instances are

- Debt-Equity Ratio
- Debt Ratio
- Capital Gearing ratio

Profitability Ratios

Profitability ratios examine the gains earned by an enterprise. They connect the profits to revenue or capitals applied or assets of an enterprise. These ratios mirror on the enterprise's capability to obtain consistent returns with regard to the funds utilised. They even check the correctness of the financing strategies and choices. Instances will involve

- Gross Profit Ratio
- Return on Equity Ratio
- Operating Profit Ratio

Activity Ratios

Activity ratios assist in computing the performance of the business. They help in measuring the efficiency of the employment of the resources that a firm has. They depict the association between assets and sales of the enterprise. Those types of ratios are preferably called turnover ratios or performance ratios. A few ratios like Stock to.

- Working Capital Ratio
- Stock Turnover Ratio
- Debtor Turnover Ratio

Current Ratio

S.no	Year	Current assets	Current liabilities	Current ratio
1	2018-19	1,57,97,001	98,78,179	1.59:1
2	2019-20	1,95,71,020	1,12,36,124	1.74:1
3	2020-21	1,80,33,237	1,04,74,219	1.72:1
4	2021-22	1,80,58,237	1,45,20,654	1.03:1
5	2022-23	2,35,74,301	1,38,09,277	1.71:1

Quick Ratio

s.no.	year	Quick assets	Current liabilities	Quick ratio
1	2018-19	1,51,21,756	98,78,179	1.53:1
2	2019-20	1,73,65,603	1,12,36,124	1.54:1
3	2020-21	1,65,56,822	1,04,74,219	1.58:1
4	2021-22	1,75,19,144	1,45,02,654	1.20:1
5	2022-23	1,85,27,781	1,38,09,277	1.34:1

Absolute Liquid Ratio

S.no.	year	Absolute liquid assets	Current liabilities	Absolute liquid ratio
1	2018-19	1,26,080	98,78,179	0.012:1
2	2019-20	84,189	1,12,36,124	0.007:1
3	2020-21	1,10,883	1,04,74,219	0.01:1
4	2021-22	1,00,563	1,45,02,654	0.006:1
5	2022-23	1,23,303	1,38,09,277	0.008:1

Inventory Turnover Ratio

S.no.	year	Cost of goods sold	Average inventory at cost	Inventory turnover ratio
1	2018-19	2,90,10,478	7,58,903	38.22
2	2019-20	3,36,27,518	14,45,331	23.26
3	2020-21	3,28,50,860	18,45,916	17.79
4	2021-22	4,54,87,743	32,14,830	14.14
5	2022-23	6,18,78,071	49,99,882	12.37

Debtors Turnover Ratio

S.no.	year	Net sales	Trade debtors	Debtors turnover ratio
1	2018-19	3,33,46,296	1,47,43,272	2.26
2	2019-20	3,87,30,989	1,72,17,144	2.24
3	2020-21	3,75,24,220	1,56,54,220	2.39
4	2021-22	5,02,79,930	1,70,24,895	2.95
5	2022-23	6,78,15,350	1,74,01,166	3.89

Creditors Turnover Ratio

S.no.	year	Net purchases	Trade creditors	Creditors turnover ratio
1	2018-19	2,61,87,337	96,57,763	2.71
2	2019-20	3,24,93,238	1,10,02,544	2.95
3	2020-21	3,75,24,220	93,50,980	4.01
4	2021-22	4,54,72,290	1,38,18,404	3.29
5	2022-23	5,81,66,403	1,29,04,348	4.51

Working Capital Turnover Ratio

S.no.	Year	Sales or cost of sales	Working capital	Working capital ratio
1	2018-19	3,33,46,296	59,18,822	5.63
2	2019-20	3,87,30,989	83,34,896	4.64
3	2020-21	3,75,24,220	75,59,018	4.96
4	2021-22	5,02,79,930	35,37,583	14.21
5	2022-23	6,78,15,350	97,65,024	6.94

Gross Profit Ratio:

S.no.	Year	Gross profit	sales	Gross profit ratio
1	2018-19	51,03,471	3,87,30,989	13.17%
2	2019-20	43,35,818	3,33,46,296	13%
3	2020-21	46,73,360	3,7524,220	12.45%
4	2021-22	47,92,187	5,02,79,930	9.53%
5	2022-23	59,37,333	6,78,15,350	8.75%

Expense Turnover Ratio

S.no.	Year	Particular Expense	Net Sales	Expense Ratio
1	2018-19	773348	33346296	2.319%
2	2019-20	986625	172177144.66	5.73%
3	2020-21	668700	15654252	4.27%
4	2021-22	531423	17024895	3%
5	2022-23	557911	17401160	3.206%

Fixed Assets Turnover Ratio

S.no.	Year	Cost of Goods Sold	Fixed Assets	Fixed Assets Turnover Ratio
1	2018-19	28703022	1405699	20.4%
2	2019-20	33548945	1247408.51	26.89%
3	2020-21	32664064	1167640	27.97%
4	2021-22	45242388	1016771	44.49%
5	2022-23	61658263	864711	71.30%

Trend Analysis on Profit

S.no.	Year	Base year profit	Current year profit	Trend percentage (%)
1	2018-19	9,52,933.71	9,52,933.71	100
2	2019-20	9,52,933.71	10,22,967.60	107
3	2020-21	9,52,933.71	10,99,115	115
4	2021-22	9,52,933.71	13,17,237	138
5	2022-23	9,52,933.71	19,05,104	200

Trend Analysis on Sales

S.no.	Year	Base year profit	Current year profit	Trend percentage (%)
1	2018-19	3,33,46,296	3,33,46,296	100
2	2019-20	3,33,46,296	3,87,30,989	116
3	2020-21	3,33,46,296	3,75,24,229	112
4	2021-22	3,33,46,296	502,79,930	151
5	2022-23	3,33,46,296	6,78,15,350	203

Table Showing Comparative Balance Sheet from 2021-2022 to 2022-2023

Particulars	2021-2022	2022-2023	Absolute change	Percentage (%)
LIABILITIES				
VIJAYAN CAPITAL	70,91,876	86,67,220	15,75,344	22.2
SECURED LOAN	18,94,631	19,62,515	6,7884	3.5
PROVISIONS	6,84,250	7,51,369	67,119	9.8
SUNDRY CREDITORS	1,38,18,404	1,29,04,348	-9,14,056	-6.6
TOTAL	1,45,02,654	2,42,85,452	7,96,291	28.9
ASSETS				
FIXED ASSET	10,16,771	8,64,711	-1,52,060	-14.9
ADVANCES AND DEPOSITS	3,93,686	10,03,312	6,09,626	-154
SUNDRY DEBTORS	1,70,24,895	1,74,01,166	3,76,271	2.2
BANK ACCOUNTS	23,916	59,221	35,305	147
TOTAL	1,84,59,268	1,93,28,410	-3,50,110	-19.7

Findings

Current Ratio

➤ The current ratio of the concern is below the standard norms. In the year 2022-2021 the current assets are not satisfactory.

- The standard norm of Quick ratio is 1.5:1. The Quick ratio of the concern is below the standard norms
- The standard norm of is Absolute Liquid ratio 1.5:1. The Absolute Liquid ratio is being nonstable all over the year.
- The Inventory turnover ratio is above the standard norm. . In the year 2023-2022 the ratio is being closer to the standard ratio 5:10.
- The standard norm of is Debtors turnover ratio is higher than AR Turnover Ratio. The Debtors turnover ratio is above the standard norm.
- The return on Creditors turnover ratio employed is unstable it is higher during the period 2023-2022 and lowest ratio during the period 2018-2019.
- The return on Working capital turnover ratio employed is unstable it is higher during the period 2021-2022 and lowest ratio during the period 2019-2020
- The standard norm of gross profit ratio is 50% to 70%. The gross profit ratio of this concern is not stable.
- The expenses ratio is unstable it is higher during the period 2019-2020 and lowest ratio during the period 2018-2019
- The standard norm of fixed asset turnover ratio is 2.5 & more. The fixed asset turnover ratio of this concern is being absolutely equal to the standard norms.

Trend Analysis on Profit

- The Trend analysis of profit results in the uptrend of the profits as specified the profits were become stable and increase year by year.
- As the trend analysis of profit shows an uptrend for the period of five years and for the upcoming year the trend percentage of profit may be uptrend

Trend Analysis on Sales

In the year 2020-2021 the trend percentage of sales shows 112 and sales made in year is lower when compared to previous year due to covid crises. In the years of 2021-2022 and 2022-2023 the trend percentage of sales is increased. Which results in the uptrend of the sales as specified the sales were become stable and increase year by year.

Comparative Balansheet

- The comparative balance sheet of the VSARK Control Panels during the study period 2021 - 2022 to 2022-2023. The comparative balance sheet contains details of assets and liabilities of the VSARK Control Panels. The capital is partly made of own contribution and the other part has been of borrowed from outsiders and the current liabilities includes Vijayan Capital, sundry creditors, provisions and also outstanding expenses. Assets are include of fixed assets, advances and deposits and Bank Accounts, sundry debtors.
- The above analysis shows that there is a certain amount of increase in the value of capital during the year 2021-2022 and 2022-2023 from Rs 70,91,876 to Rs. 86,67,220, Sundry Creditors decreases from Rs. 1,38,18,404 to Rs. 1,29,04,348 that is -6.6% during the year 2018-2019 and 2019 - 2020. The value of the fixed assets decreases during the year 2018-2019 and 2019-2020 from Rs. 10,16,771 to Rs. 8,64,71 that is 14.9%, The sundry debtor of the company increases during the year 2018-2019 and 2019-2020 from Rs. 1,70,24,895 to Rs. 1,74,01,166 that is 2.2%.

CONCLUSION

The financial health of VSARK Control Panels has been evaluated through various indicators such as liquidity, profitability, and solvency. This analysis has revealed strengths such as robust revenue growth and efficient cost management, alongside areas for improvement such as optimizing capital structure and enhancing profitability margins. Moreover, the project has highlighted the impact of external factors such as economic conditions, regulatory changes, and competitive dynamics on the financial performance and outlook. Understanding these factors is crucial for informed decision-making and risk management. Furthermore, recommendations have been formulated based on the findings of the analysis. These recommendations encompass strategies for maximizing financial performance, managing risks, and capitalizing on emerging opportunities.

SUGGESTIONS

- The concern should improve its liquidity position by raising the absolute liquid assets such as cash in hand, bank balance.
- The concern should reduce their investment in current assets to maintain the current ratio in the satisfactory level.
- To increase its production capacity and minimize mistakes while

performing the tasks, also more safety precaution need to be implemented by the concern

- The concern has high inventory so I suggested that the concern must reduce the stock by increase sales.
- The concern should have proper check on the manufacturing process of the plant.
- The working capital management system of the concern more effective for its successful survival in the competitive business world. The concern must adopt and use varies scientific methods of working capital management so that the current assets are to be maintained at optimum level.
- For the existence and growth, the company has to earn adequate profit. As regards profitability, the company witnessed a fluctuating uptrend after the covid crises. It shows the uptrend for the future years.

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