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FINANCIAL STATEMENT ANALYSIS-HERO

GOLKONDA NAVAROOP KUMAR , E.RAMESH
DEPARTMENT OF MBA
Sree Chaitanya College of Engineering, KARIMNAGAR

ABSTRACT

A **financial statement** (or **financial report**) is a formal record of the financial activities of a business, person, or other entity. In British English—including United Kingdom company law—a financial statement is often referred to as an **account**, although the term financial statement is also used, particularly by accountants.

For a business enterprise, all the relevant financial information, presented in a structured manner and in a form easy to understand, are called the financial statements. They typically include four basic financial statements:

For large corporations, these statements are often complex and may include an extensive set of notes to the financial statements and management discussion and analysis. The notes typically describe each item on the balance sheet, income statement and cash flow statement in further detail. Notes to financial statements are considered an integral part of the financial statements.

Purpose of financial statements by business entities

"The objective of financial statements is to provide information about the financial position, performance and changes in financial position of an enterprise that is useful to a wide range of users in making economic decisions." Financial statements should be understandable, relevant, reliable and comparable. Reported assets, liabilities and equity are directly related to an organization's financial position. Reported income and expenses are directly related to an organization's financial performance.

Financial statements are intended to be understandable by readers who have "a reasonable knowledge of business and economic activities and accounting and who are willing to study the information diligently." Financial statements may be used by users for different purposes.

I. INTRODUCTION

The performance of the firm can be measured by its financial results, i.e., by its size of earnings Riskiness and profitability are two major factors which jointly determine the value of the concern. Financial decisions which increase risks will decrease the value of the firm and on the other hand, financial decisions which increase the profitability will increase value of the firm. Risk and profitability are two essential ingredients of a business concern. There as been a considerable debate about the ultimate objective of firm performance, whether it is profit maximization or wealth maximization. It is observed that while considering the firm performance, the profit and wealth maximization are linked and are effected by one-another. A company's financial performance therefore is normally judged by a series of ratios or figures, however there are following the ratio

parameters which can be used to know the performance of the company.

Financial statements are prepared primarily for decision-making. They play a dominant role in setting the framework of management decisions. But the information provided in the financial statements is not an end in itself as no meaningful conclusions can be drawn from this statement alone. The information provided in the financial statements is of immense use in making decisions through analysis and interpretation of financial statements.

Financial analysis is "the process of identifying the financial strengths and weaknesses of the firm by establishing relationship between the items of the balance sheet and the profit and loss account" there are various methods or techniques used in financial analysis such as comparative balance sheet statements, trend analysis, common size statements, schedule of changes in working capital, funds flow analysis, cost volume-profit analysis, ratio analysis etc.

The word performance is derived from the word "parfourmen", which means 'to do' 'to carry out'. It refers the act of performing execution, accomplishment; fulfillment etc., In border sense, performance refers to the accomplishment, fulfillment, etc. The financial performance of a company is usually related to measure the results that is the size of earning riskiness and profitability are two major factors which jointly determine the value of concern financial decisions which increases risk will decreases the value of the firm .A company financial performance can be analyze by the funds and profitability.

The Efficiency with which funds are managed gleaned from turnover ratios. Turnover ratio measure how rapidly the assets are being turned over into sales. In other words they indicate how well the company managers it funds and indicates sales turnover for every rupee of fund the way in which funds are managed can have a significant impact on the profitability of the company. It is an empirical question whether a high value of turnover ratio as a positive influence on the companies earning capability. A company can have larger sales with a very liberal Credit policy which shrinks the Debtor's turnover ratio. In this case, the lower Debtors turnover ratio may result in higher profitability. However as for the traditional view, a low value of turnover ratio hits company's profitability. All three parameters are discussed in detailed along with various other ratios. However, it is to be noted that fundamentally, the balance sheet indicates the financial position of the company as on that point of time. However, profit and loss account is a statement, which is prepared for a particular financial year

OBJECTIVES OF THE STUDY

The basic purpose of this study is to analyze the Fund management of the various Asset Management Companies (AMC's) in India.

Keeping this purpose in view, the major objectives of the study are determined as follows:

- To know the liquidity and profitability position of the company
- To find out the measure to be taken to control the operating expenses

- To compare the companies present and historical performance with industrial standards
- To know the financial performance of the company.
- To determine the management of the asset and liability of the company collected from company.

II. FINANCE FUNCTION:

"Finance function is the procurement of funds and their effective utilization for usiness".

CLASSIFICATION AND DESCRIPTION OF FINANCE FUNCTION:

1. Establishing Asset Management Policies.
2. Determining the allocation of net profit.
3. Establishing and controlling cash flows and requirements.
4. Deciding upon needs and sources of new outside financing.
5. Checking upon financial performance.

FINANCIAL ANALYSIS:

"Financial analysis is the process of evaluating the relationship between component parts of financial statements to obtain a better understanding of the firm's position and performance."

"Financial analysis is the process of identifying strength and weakness of the firm by properly establishing relationship between the items of Balance Sheet and the Profit and Loss Account."

FINANCIAL STATEMENT:

"A financial statement is an organized collection of data according to logical and consistent accounting procedures. Its purpose is to convey an understanding of some financial aspects of a business firm. It may show a position at a movement of time as in the case of a balance sheet, or may reveal a series of activity over a given period of times, as in the case of an income statement."

ITYPES OF FINANCIAL STATEMENT:

1. Income statement (also termed as Profit & Loss Account)

It explains what has happened to a business as a result of operations between two balance sheet dates.

2. Balance sheet

It is a statement of financial position of a business at a specified movement of time.

Statement of retained earnings.

The term retained earnings means the accumulated excess of earnings over losses and
dividend.

Statement of change in financial position:

- Changes in the firm's working capital
- Changes in the firm's cash position
- Changes in the firm's total financial position

TECHNOLOGIES OF FINANCIAL STATEMENT ANALYSIS:

- Ratio Analysis
- Comparative Statement Analysis
- Comparative Balance Sheet

- Comparative Income Statement
- Common Size Statement
- Common Size Balance Sheet
- Common Size Income Statement

III. RESEARCH METHODOLOGY:

The objective of the present study can be accomplished by conducting a systematic analysis of the balance sheet of the company Analysis means detail collection, observation, reporting of data, calculation and finding that are relevant to the company balance sheet. The constitutes is the secondary source of data which includes collection of annual report of the company and many journals.

PRIMARY DATA

Primary data is the first hand data collected for the main and sole purpose of the study, primary data was collected in the finance department of the company with the direct interaction with the officials there.

SECONDARY DATA:

The data which is collected from already existed sours is called secondary data. They are of collecting the appropriate data, which differ considerably in context of money costs, time and other resources. The researcher should keep in mind two types of data viz. Primary and secondary.

- Text books
- Web sites
- Company records

IV. CONCLUSION

The company financial position is good. The company is maintaining standard ratios for implementing activities in their business. This is helpful to the company, is that the study of financial performance is important for the analysis and interpretation of the company. By analyzing the past records of the firm we are able to understand financial performance. To the financial position by measuring the significance of operating data. The company should increase sales volume as well as gross profit.

Financial performance refers to the treatment of information contained in a way so as to afford a full diagnosis of the profitability and financial position of the firm concerned. The process of analyzing financial statements involves the re arranging, comparing and measuring the significance of financial and operating of data. The company sales are increasing the respective years. These are the indication of the development of the company .but the company is not maintain the reserves.

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