

**A STUDY ON FINANCIAL STATEMENT ANALYSIS****AT HERITAGE FOODS IND LTD**

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**MLR INSTITUTE OF TECHNOLOGY****ABSTRACT**

*Financial statement analysis can be referred as a process of understanding the risk and profitability of a company by analyzing reported financial info, especially annual and quarterly reports. Putting another way, financial statement analysis is a study about accounting ratios among various items included in the balance sheet. These ratios include asset utilization ratios, profitability ratios, leverage ratios, liquidity ratios, and valuation ratios. Moreover, financial statement analysis is a quantifying method for determining the past, current, and prospective performance of a company.*

**I. INTRODUCTION**

This case is appropriate in an MBA module for the accounting process and is also an excellent exam case. It provides a diagram of the three basic financial statements (Balance Sheet, income Statement, and Statement of Cash Flows) used to capture, codify, and communicate the effects of a series of typical business events. The case also gives students the opportunity to prepare a simple statement of cash flows using two sequential balance sheets and to work backward from a balance sheet and statement of cash flows to craft the beginning of the year's balance sheet.

**II. NEED OF THE STUDY**

- Need of financial statement analysis study to diagnose the information contain in financial statement. So as to judge the profitability and financial position of the firm **HERITAGE FOODS IND LTD**
- Financial analyst analyses the financial statements with various tools of analysis before commanding upon the financial health of the firm.
- Essential to bring out the history of **HERITAGE FOODS IND LTD**
- Significance and meaning of the financial statements.

**III. 1.3 OBJECTIVES OF THE STUDY**

- To determine the financial statements and weakness of the firm.
- To determine the short –term solving of the firm
- To diagnose the information contained to financial statements so as to judge the profitability and fondness of the firm.

- To establish relationship between various figures or the income statement and balance sheet.

#### IV. 1.4 SCOPE OF THE STUDY

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.

However, the following are some the techniques of the AFS:

- a) Comparative financial statements.
- b) Common-size financial statements.
- c) Trend percentage analysis.
- d) Statement of changes in financial position.
- e) Cost-volume-profit relations, and
- f) Ratio analysis and others.

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.

#### V. 1.5 RESEARCH METHODOLOGY

##### SOURCES OF DATA

Data we collected based on two sources.

- Primary data.
- Secondary data.

##### Primary data

The Primary data are those information's, which are collected afresh and for the first time, and thus happen to be original in character.

##### Secondary Data:

The secondary data collected from the different sites, brochures, newspapers, company offer document, different books and through suggestions from the project guide and from faculty members of our college.

#### VI. 1.6 LIMITATIONS OF THE STUDY

- It is only a study of interim reports.
- Financial analysis is based upon only monetary information and non- monetary factors are ignored.
- Different people may interpret the same analysis in different ways.
- It does not consider the changes in prices level.

- Changes in accounting procedure by firm may often make financial analysis misleading

## VII. REVIEW OF LITERATURE

This project report entitled as “A Study on Financial Statement Analysis. In Tamil Nadu Newsprint and Papers Limited, Kagithapuram” is done as a part of MBA curriculum. The objective of the study is to analysis the financial statement of Tamil Nadu Newsprint and Papers Limited, Kagithapuram. The study is carried for a period of five years from 2012-2014 to 2018-2019. Data were collected from the secondary sources. To identify the financial statements of the company and also understand the liquidity position. The tools used for analysis, Comparative Balance Sheet, Common Size Balance Sheet, Ratio Analysis.

This paper documents a method of structuring financial statement analysis projects to enhance the development of students’ critical thinking skills. The project is structured in a cooperative learning framework in which a student accesses financial statement information from the World Wide Web, performs a financial statement analysis, and then engages in an exercise with other students who have analyzed firms in the same industry. Both the individual and team phases of the project offer opportunities for students to develop several important critical thinking skills.

We examine the profitability of a trading strategy which is based on a model designed to predict the sign of subsequent twelve-month excess returns from accounting ratios. Over the 1978–1988 period, the average annual excess return produced by the trading strategy ranges between 4.3% and 9.5%, depending on the specific measure of excess return and weighting scheme involved. However, our implementation of the and Penman (1989) trading strategy in the 1978–1988 period, which is based on a model that predicts subsequent unexpected earnings- per-share from accounting ratios, does not earn excess returns.

## VIII. DATA ANALYSIS AND INTERPRETATION

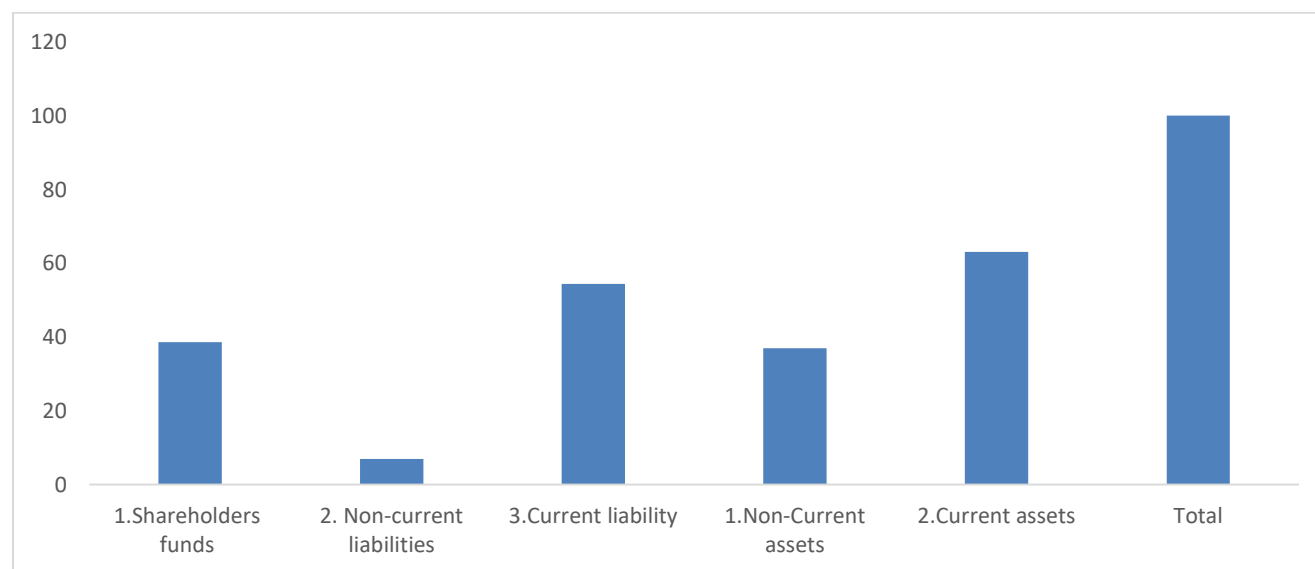
### COMPARITIVE STATEMENTS

**Common size balance sheet for the year 2018-2019, 2019- 2020. (In crore)**

Absolute figures			percentage	
Particulars	018-2019	019-2020	018-2019	019-2020
A. Equity and liability				
.Shareholders fund	231.51	541.25	3.31	8.57

.Non Current liability	73.03	77.28	8.20	.93
.Current liability	792.14	176.91	8.4	4.4
TOTAL	696.6	995.44	00	00
<b>B. Assets</b>				
.Non- current assets	516.31	475.44	1.01	6.92
.current assets	180.38	520.00	8.9	3.07
TOTAL	696.6	995.44	00	00

From the above table it is clear that there is a significant decrease in the non-current liability, and there is a great improvement in the current assets of the company



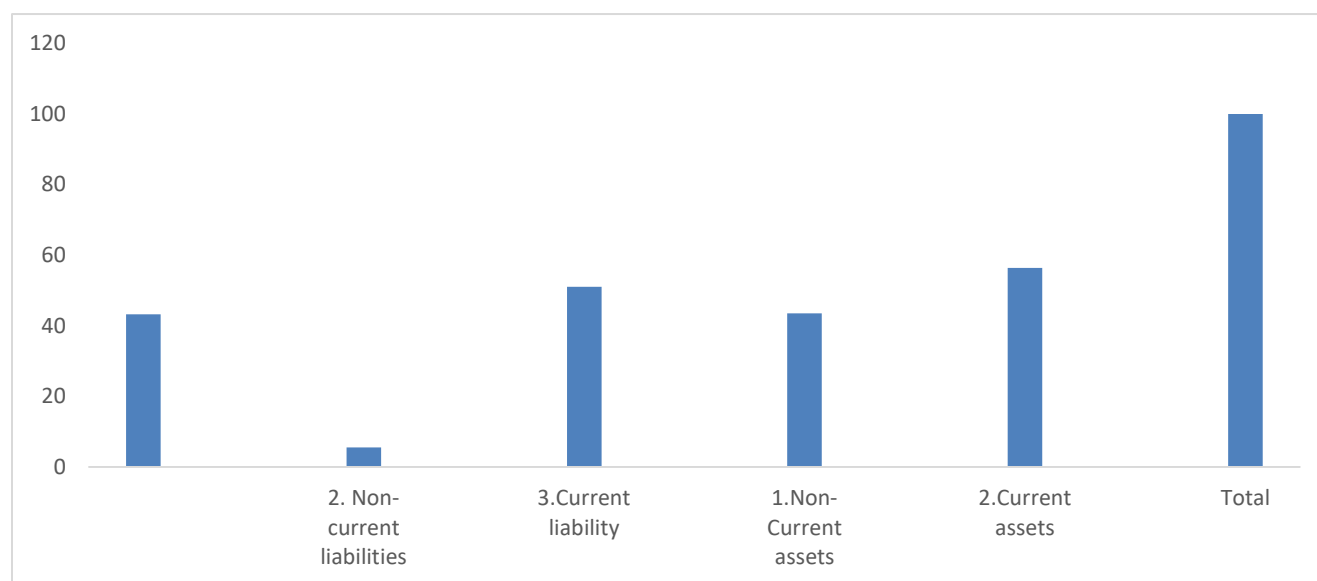
From the above graph it is clear that there is a significant decrease in the non-current liability, and there is a great improvement in the current assets of the company

#### **Common size balance sheet for the year 2019-2020, 2020-2021. (in crore)**

Absolute figures			percentage	
Particulars	2019-2020	2020-2021	2019-2020	2020-2021

A. Equity and liability				
.Shareholders fund	541.25	587.10	8.57	3.3
. Non-current liability	77.28	103.28	1.93	1.55
.Current liability	176.91	1871.63	14.4	11.10
TOTAL	995.44	1662.0	100	100
.Non- Current assets	475.44	596.58	6.92	3.5
.Current assets	520.00	1065.48	13.07	6.4
TOTAL	995.44	1662.0	100	100

From the above table it is clear that only shareholders fund and noncurrent assets has increased. while the current assets have shown a slight decrease.



From the above graph it is clear that only shareholders fund and noncurrent assets has increased. while the current assets have shown a slight decrease.

## FINDINGS

- Current ratio is below standard and fluctuating year by year.
  - Quick ratio is also below standard hence the firm will face difficulties in pay off its liabilities in correct time.
- Super quick ratio is also below standard so short-term liquidity position is very poor.
- Debt equity ratio is below the standard and the company is not financially secured.
- Proprietary ratio is almost equal to standard now and in increasing year by year.
  - Gross profit ratio is below than the ideal ratio which indicate that inefficiency in production and purchase management of a company. But it shows an increasing trend.
- Net profit ratio shows increasing trend which means increasing profitability.
- Return on investment is satisfactory, and there is only a slight increase.
  - Return on shareholders has decreased in the year 2020, this may be due to poor utilization of owner's fund.
  - Leverage ratio indicates that the company is solvent because the assets are sufficiently more than the liabilities of the company.

### a. SUGGESTIONS

It is better for company to decrease its current liability to improve the liquidity ratio and liquidity position. Company has to increase net sales for increasing profitability of the entity and higher profitability will attract shareholders. The company must also aim at an effective utilization of owner's fund. The company must aim to keep a standard level of liquid assets and try to maintain the profits which the company is earning now. customer satisfaction as well as development of the customers should be given priority.

## IX. CONCLUSION

Finance is the life blood of every business concern. but if it is not properly managed it can cause adverse effect in the economic. therefore, the acquisition and utilization of finance is very important.

A financial statement of a concern communicates to its user the financial position of the firm. the significance of this statement lies not in its preparation but in its analysis and interpretation. Thus, a study was made on the topic "FINANCIAL STATEMENT ANALYSIS OF HERITAGE FOODS LTD" to know the solvency and the financial position of the firm.

This study helped to analyses the liquidity and efficiency of the business and the management of the firm. The position of the company is average. But still, it can improve the position. As the competition in the market is getting tougher and tougher, HERITAGE FOODS LTD should make change to maintain the market share. So, the financial performance is satisfactory but there is a further scope for improvemen

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