

Analysis and Interpretation of Financial Statement as a Managerial Tool for Decision Making

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It indicates the economic role of the business on a selected date and to have manipulated over the firm's property. The cease products of commercial enterprise transaction are the guidance of financial statement i.e., Balance sheet and profits statement. The remaining aim of getting ready monetary assertion is to deliver relevant statistics to the control within the occasion of decision making. The evaluation and interpretation of economic assertion generally depends on the character and quantum of information to be had in these statements.

The financial statements constitute a proper report of economic activities of an entity. These are written reviews that quantify the economic electricity, overall performance and liquidity of an agency. It reflects the economic outcomes of enterprise transactions and activities at the entity.

The end made from the economic accounting process incorporates monetary statements that communicate beneficial records to choose makers. The economic statements mirror a mixture of recorded facts, accounting conventions and personal decisions of the preparers.

LITERATURE REVIEW

Meaning of financial statement

A financial statement is a statement which is prepared in a systematic collection of consistent of data according to the logical and consistent accounting procedures. Its motive is to

ABSTRACT

Financial statement analysis and interpretation is a completely vital tool of exact control choice-making is enterprise employer. Good decision ensures commercial enterprise survival, profitability and increase. Without financial announcement evaluation in investment choices, a company is probably to make decisions that may spell its doom. Poor or loss of qualitative financial announcement evaluation could result in funding returns, low profitability or even incapability to identify feasible funding possibilities the principle goal of this challenge is therefore, became to decide how corporations should use economic statement evaluation and interpretation to resource management choice and to avoid the troubles highlighted above primary and secondary records are employee to develop the scope of this have a look at. Organizational profitability has courting with monetary declaration evaluation and interpretation-based management selection however not drastically/appreciably. Proper use of monetary announcement evaluation must be made now not only in funding but additionally in different regions of selection making.

KEYWORDS: *financial statement, managerial tool, decision making, analysis and interpretation.*

INTRODUCTION:

The term accounting is the method of recording, classifying and summarizing of numerous business transactions. The principal goal of the accounting is to ascertain income and loss at some stage in a special time period.

carry an understanding of some monetary aspects of business firm. It may show a position at a moment of time as in the case of balance sheet or may reveal a series of activities over a period of time as in case of income statement. It is also known as Financial Reports.

Financial statement provides information about entities:

1. Assets.
2. Liabilities.
3. Equity.
4. Cash flows.
5. Income and expenses, including gains and losses.
6. Contribution by using and distribution to proprietors of their potential as proprietors.

A complete set of financial statement comprises:

1. A statement of balance sheet as at the end of the period.
2. A statement of trading and profit or loss account for the period.
3. A declaration of changes in equity for the period.
4. An assertion of cash flow for the period.

REVIEW OF LITERATURE

1. EDWARD E. WILLIAMS & JOHN A. DOBELMAN (2017):

The following sections are included ratio analysis financial statement group I-Liquidity Group II-Profit Ratio Group III-Turnover Ratio Group IV-Return on Investment Ratio Group

V-Leverage and Capital Structure Ratio Group VI-Assets-Relation Ratio Group VII-Common Stock Security Ratio Group VIII-Yield and Price Ratio Common Size Analysis adjustments to financial and accounting data financial analysis for mergers.

2. MATHIEU LUYPAERT, TOM VAN CANEGHEM, STEVE VAN UYTBERGEN (2016):

This article verifies financial statement filing lags among a sample of Belgian small firms. Our results indicate that around one-third of small firm financial statement are filed late (after the legal deadline), but that monetary sanctions could be an effective tool to encourage compliance with legal deadline. Whereas the deadline and late filing sanctions are filing incentives, various factors, such as firm size and presence of an external financial statement audit, also affect financial statement filing lags. Evidence indicated that extremely late filings were associated with lower financial statement quality.

3. RAVICHANDRAN M & SUBRAMANIAM M VENKATA (2016):

The main idea behind this study is to assessment of viability, stability and profitability of force motors limited. Operating position of the company can be measured by using various financial tools such as profitability ratio, solvency ratio, comparative statement & graphs etc. This study finds that company has got enough funds to meet its debts & liabilities. Company can further improve financial performance by reducing the administrative, selling & operating expenses.

4. DANIEL A. MOSES JOSHUNAR (2013):

The study has been conducted to identify the financial strength and weakness of the Tata Motors limited using past five-year financial statements. Trend analysis and 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.

5. JAIN, D.C (1967):

Has analyzed the financial statements of cement companies in India. The study revealed by and large that their financial performance was satisfactory, on the basis of ratio analysis made.

SCOPE OF THE STUDY:

The study is conducted to cover the analysis of financial statement of particular firm of about 10 years. The study is conducted to cover the use of financial statement which includes; balance sheet, income statement, statement of cash flow and statement of retained earnings; analysis civil interpretation management choice. The study is conducted to cover related various other business records including order copy etc.

OBJECTIVES OF THE STUDY

This research is aimed at examining how efficiently the management will apply financial statement in making business decision.

The main objectives of the study are:

1. To find out how the use of financial statement analysis assists organizations in identifying investment opportunities.

2. To find out how growing investment returns may be done the use of financial statement analysis.
3. To find out how profitability is affected.
4. To identify alternative methods of minimizing investment risk.

RESEARCH METHODOLOGY

➤ **SAMPLING:** Sampling and data analysis play a vital role in the research project with prescribed plan and suitable sampling size.

Sampling is a process used in statistical analysis in which pre-set numbers of observations are taken from a larger population.

➤ **SAMPLING SIZE:** The total sample size for gathering required information from company and employees through random sampling method.

Sampling size refers to the number of elements to be chosen from the population to conduct the study. The sample size for this study is 75.

NEED FOR THE STUDY

The data collected from the company has been analysed according to the objectives of the study and to suggest suitable improvements that are needed for the company. The data collected through questionnaire is analysed and interpreted with the help of table and graphs to come out with effective findings, conclusion and suggestions.

The information from the questionnaire is classified and analyzed.

The calculation of the result is in the percentage form. Result is highlighted through graphs and charts.

VARIABLES

➤ **Independent variable:**

DECISION MAKING:

It is the study of identifying and choosing alternative based on the values and preference to the decision making. It is a process which includes a combination of many stages that lead to effective outcome. This process can be very simple in some areas but in another especially in business, it may be more complex.

➤ **Dependent variable:**

FINANCIAL STATEMENT:

A financial statement is a statement which is prepared in a systematic collection of consistent of data according to the logical and consistent accounting procedures. Its motive is to carry an understanding of some monetary aspects of business firm. It may show a position at a moment of time as in the case of balance sheet or may reveal a series of activities over a period of time as in case of income statement. It is also known as Financial Reports.

FINDINGS

- This research work has identified how companies use financial statement analysis and interpretation in making effective management decisions.
- Overall organizational profitability and achievement of organizational objectives were discussed.

- Again, the difference between the returns of a financial statement analysis and interpretation based on management decision were also discussed.
- The adequacy of financial information needs to be emphasized on, as it will provide enough and necessary details for investment and management decisions.
- A combination of different ratios should be used to analyze a company's financial and/or operating performance.
- Finally, the management of the chosen company needs to make right use of financial announcement analysis in different decision areas of control now not most effective in investment selection.

CONCLUSION

The main objective of this study was to determine how firms could use financial statement analysis to aid investment and management decisions in the selected company.

The study revealed that financial statement performs a crucial role on management decision making and organization performance which has been shown to be a major force in decision making. This is achieved by implementing the best fundamental concepts and modern

techniques, instruments of financial statement suitable for the company.

The study also showed the financial statement plays a vital role in taking the effective, accurate and significant decisions in the company. The study got that the financial statement as a managerial tool for decision making is using by the company is significant.

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