A Study on Financial Statement Analysis on Pondicherry Industrial Promotion Development and Investment Corporation Limited (PIPDIC), Pondicherry

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ABSTRACT

The main aim of the study is to investigate the financial statement analysis of Pondicherry Industrial Promotion Development and Investment Corporation limited. The financial decision plays a vital role in improving the growth of any organization. The main goal of the accounting department in the firm is to measuring the performance of the organization to its profitability and also measuring the relationship between the net incomes to equity. The data in the present study is fully based on secondary data and it is collected from the past and present performance of Pondicherry Industrial Promotion Development and Investment Corporation Limited providing financial assistant to entrepreneur. In order to analyze the financial performance of the organization, the ratio analysis, comparative balance sheet and trend analysis is used. The result clearly shows that there is high degree of current ratio between the net income and equity, and satisfactory level of comparative balance sheet and the trend analysis is high in the present year.

KEYWORDS: Financial Statement, Ratio Analysis, Comparative Balance Sheet, Trend analysis, Profitability

INTRODUCTION

The financial statement disclosing status of investments is known as balance sheet and the statement showing the result is known as profit and loss account. (Hampton J.J 2003)

Financial statement analysis is a study on relationship between various financial factors in the business to disclose the single set of statements and it is also used to identify the trend of the factors shown in the statement. The financial analysis is the process of identify the strength and weakness of the organization understanding the financial aspects of the business firm.

Financial statement analysis maintains both internal and external management records to evaluate a company's profitability, liquidity and solvency level. The most common method of financial statement analysis used is trend analysis, common size and ratio analysis. The performance refers to the degree to which financial objectives being accomplished.

The main four financial statements are
1. Balance sheet
2. Income statement
3. Cash flow statement
4. Statement of shareholder's equity.

A. BALANCE SHEET:

It gives the detailed information of the company current assets, current liabilities and shareholders' equity.

The formula for balance sheet is summarized that
Assets= Liabilities + Shareholder's equity fund

B. INCOME STATEMENT:

Income statement shows that the company revenue report earned over a specific period of time. Income statement is also used to calculating the earning per shares (EPS). EPS is used to find how much money shareholders would received each share of stock distributed by the company.

C. CASH FLOW STATEMENT:

It is used to report a company's inflows and outflows of the cash. The cash flow statement that provides aggregate data regarding cash inflows a company receives from its ongoing operations and external investment source.

D. STATEMENT OF SHAREHOLDER'S EQUITY:

It is a part of the balance sheet issued with the financial document of the company. The shareholder's equity measures the change from the beginning of the year and the

end of the year to value the stock or ownership rights of interest in the company.

LITERATURE SURVEY

Financial analysis is use to detects weaknesses and strengths of the company, is the tool of "health" diagnostics and provides essential information to business management and to owners (Vlachynský, 2009, 369).

The user of the financial analysis results decides which indicator's to select and the priority of utilization of individual parts of the financial analysis according to demand and intention (Baran et. al, 2011).

Working capital analysis the direction of change over a period of time is of crucial importance. Working capital is one of the important parts in the subject of Financial Management. So, it is very essential for an analyst of the present study about the trends and direction of working capital.

Financial reporting is a unified system of data on the property and financial position of the company and the results of its activities. Financial statements are prepared based on financial accounting data in accordance with established forms for a certain reporting date. It follows from this definition that the data reflected in the financial statements essentially represent a special type of accounts that are extracted from the current accounting of the summary data on the status and performance of a company for a certain period (Korableva et al., 2017b).

Ratio analysis is a commonly used analytical tool for verifying the performance of a firm. While ratios are easy to compute, which in part explains their wide appeal, their interpretation is problematic when two or more ratios provide conflicting signals. Indeed, ratio analysis is often criticized on the grounds of subjectivity that is the analysts must pick and choose ratios in order to assess the overall performance of a firm.

Ratio or financial analysis is the process of determining the significant operating and financial characteristics of a firm from accounting data and financial statements (Hampton, 2003).

Liquidity ratios measure a firm's ability to satisfy its short-term obligations as they come due. Debt ratios measure the extent to which a firm uses money from creditors rather than stockholders to finance its operations. Profitability ratios are among the most closely watched and widely quoted financial ratios.

The financial situation of the business subject is considered to be a complex output of their whole performance. This output is presented through the ratio indicators of activity, profitability, liquidity, indebtedness and market value. These indicators are based on the synthetic indicators of financial accounting and they demonstrate the complexity of the business subject's performance interpretation (Baran and Pastýr, 2014, 6).

RESEARCH OBJECTIVES

1. To determine the financial position of Pondicherry Industrial Promotion Development and Investment Corporation Limited.
2. To measure the performance of Pondicherry Industrial Promotion Development and Investment Corporation Limited to its profitability.
3. To measure the relationship of net income to equity.

RESEARCH METHODOLOGY

1. DEFINITION:
Research is a systematic and objective analysis to conduct to obtain value facts and clear new conclusions and establishing identifiable problem in some field of knowledge.

2. RESEARCH DESIGN:
Research design is defined the overall strategy of the study to choose the integrated components to find the coherent and logical way, to obtain the effective solution for the identifiable research problem; it constitutes the collection, measurement and analysis of data..

3. DATA TYPE:
The secondary data is used in this study to find the financial position and profitability ratio of the organization. Secondary data of this study is collected from the internal record, books and annual reports of the organization. The data which have already collected and analyze by someone else is called secondary data.

4. RESEARCH TOOLS:
A. Ratio Analysis
B. Comparative Balance Sheet
C. Trend Analysis

A. RATIO ANALYSIS:
Ratio analysis is an analytical tool to find the financial statement of the organization. The ratio is mathematically finding the relationship between the two or more items taken from the financial statement. In other word ratio analysis is computing, determining and presenting the relationship between the two variables.

The financial statements include some types of ratios. They are
1. Current ratio
2. Net profit ratio
3. Operating profit ratio
4. Fixed asset turnover assets ratio
5. Turnover to total asset ratio
6. Debt equity ratio
7. Working capital turnover ratio
8. Liquid ratio
9. Cash position ratio
10. Proprietary ratio
11. Solvency ratio
12. Return on share holders fund
13. Return on total assets

B. COMPARATIVE BALANCE SHEET:
A comparative balance sheet method is used for analyzing a past and present year company balance sheet to identify the changes and trend pattern, though it can be useful to pull together more data on your own for a longer-term analysis.

C. TREND ANALYSIS:

A trend analysis is used to predict the future stock performance; it is used for the traders what will be happened in future stock market. Trend analysis is fully based on historical data about the stock's performance and gives the overall trends of the market and particular indicators within the mark.

DATA ANALYSIS

Table 1 Descriptive statistics of Ratio analysis

Ratio methods	Mean	Median	SD	Observation
Current ratio	1.27	1.21	0.6	4
Net profit ratio	0.24	0.22	0.015	4
Operating profit	0.25	0.23	0.011	4
Fixed asset	0.51	0.45	0.152	4
Turnover to total asset	0.062	0.07	0.35	4
Debt equity	5.72	1.48	57.9	4
Working capital	0.42	0.53	0.18	4
Liquid ratio	1.04	0.76	0.57	4
Cash position	0.78	0.05	0.34	4
Proprietary	0.74	0.05	0.34	4
Solvency ratio	0.28	0.56	0.03	4
Return on Shareholders	7.3	3.5	54.02	4
Return on total Assets	6.67	2.23	65.26	4

SOURCE: Secondary data

1. The mean value obtained for the ratios are 1.27, 0.2, 0.25, 0.51, 0.062, 5.72, 0.42, 1.04, 0.78, 0.74, 0.28, 7.3, and 6.67
2. The median value obtained for the ratios are 1.21, 0.22, 0.23, 0.45, 0.07, 1.48, 0.53, 0.76, 0.05, 0.05, 0.56, 3.5, and 2.23
3. The Standard deviation value obtained for the ratios are **0.**6, 0.015, 0.011, 0.152, 0.35, 57.9 0.18, 0.57, 0.34, 0.34, 0.03, 54.02, 65.26

Table 2 Comparative Balance Sheet for the year 2017-2018

PARTICULAR	2016 Rs.	2017 Rs.	INCREASE/DECREASE Rs. in'000s	INCREASE/DECREASE Rs. in'000s
Assets				
Non-current Assets				
Fixed assets				
Tangible asset	73680923	69747662	3933261	5.3%
Capital work in Progress	25103522	30390157	-5286635	21%
Non current Investment	2940000	7840000	-4900000	167%
Long term loans and advances	680243985	1370751883	-690507898	101.5%
Current assets				
Inventories	740130000	-	740130000	100%
Trade receivables	23164061	15278673	1127450	6.8%
Cash & Cash Equivalents	174118414	207008009	-32889595	18.8%
Short term loans & advances	132949341	85265955	47683386	3.5%
Other current Assets	14510710	14148071	362639	0.24%
Total Assets	1860083018	1800430410	59652608	3.2%
Liabilities				
Shareholders Fund				
Share capital	404020500	404020500	-	-

SOURCE: Secondary data

The above Table shows the Comparative Balance Sheet for the year of 2017- 2018. Inventories 100%, Trade Receivables 6.8 %, Cash and cash equivalents 18.8%, Short Term Loans & Advances 3.5%, other current assets shows decreased balances. Fixed Assets shows increased balances. On the liabilities side there is increase in other Current Liabilities, Short Term Provisions and decreased.

Table 3 Trend analysis for the year 2014-2018

Particulars	Year end (Rs. in lakhs)					Trend Percentages Base Year 2010				
	2014	2015	2016	2017	2018	2014	2015	2016	2017	2018
Cash	334	225	174	194	207	100	67	52	58	62
Short term loans & advances	122	210	129	132	85	100	172	105	108	69
	283	291	148	145	141	100	102	52	51	49
Other current assets										
Total Current Assets	739	726	451	470	433	100	98	61	63	58
LESS: Current liabilities	148	161	124	148	141	100	108	83	100	95
Working Capital	591	565	327	322	292	100	95	55	54	49

SOURCE: Secondary data

The above table shows the trend analysis for the year of 2014-2018. The cash was 3.34 (lakhs) it was decreasing in next three years but in 2018 it was in increasing trend. The short term loan and advances was in decreasing trend from 2014-2018. Other current assets were in decreasing trend. The current liabilities high in 2013-2014 again it was high in 2014 but it was decline in 2016 and again it was increases 2017-2018. The working capital was in fluctuating trend in 2014-2018.

SUGGESTIONS

1. It is recommended that the organization is to improve the current ratio and proprietary ratio in future for growth of the organization and using of more ratio analysis methods will improve the financial performance

2. It is also recommended that the organization can increase the working capital ratio to make more profit in future.

3. The organization should immediately take effective measure to increase the return on shareholders' fund and return on total asset for a future period of time.

4. The net profit, operating profit and fixed assets of the organization should always maintained in the satisfactory level to avoid loss and maintaining the profitability ratio over the long period and

5. The organization should maintain proper liquid ratio and cash position of the Pondicherry Industrial Corporation Development and Investment Corporation Limited.

CONCLUSION

The analysis will be summarized in order fulfill the purpose of the research objectives. The present study is derived to the conclusion about the financial statement analysis of the Pondicherry Industrial Corporation Development and Investment Corporation Limited and it is analyzed with the respect of the overall financial performance of the organization by using the measurement tools likes Ratio analysis, Comparative balance sheet and Trend analysis.

This study reveals that the financial performance of the Pondicherry Industrial Corporation Development and Investment Corporation Limited is in satisfactory level during the year 2014- 2018. The organization should frame various strategies to improve their current corporate position. The financial position of the corporation for the four years is analyzed and it is proved that the corporation is financially up to the level and the result clearly shows that there is high degree of current ratio between the net income and equity, and satisfactory level of comparative balance sheet and the trend analysis is high in the present year.

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