A Study on Ratio Analysis at Accord Puducherry

Pramodh. V, Abinayaselvan. V, Sindhuja. K

Department of Management Studies, Rajiv Gandhi College of Engineering and Technology, Puducherry, India

ABSTRACT

The main aim of the study is to investigate the ratio analysis of **ACCORD**, Puducherry. 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 **ACCORD** Puducherry providing financial assistant to entrepreneur. In order to analyze the financial performance of the organization, the ratio analysis, 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 trend analysis is high in the present year.

KEYWORDS: Financial Statement, Ratio Analysis, Trend analysis, Profitability

1. 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 analysis is structural and logical way to present overall financial performance of a financial institution. It's also help to evaluate and decision making for business operation. In financial analysis process ratio analysis is the most dominant and logical structure to help business related stakeholder. Under the financial ratio analysis process there are few categories to identical area of financial institution.

Financial Analysis is the process of identifying the financial strength and weaknesses of the firm by properly establishing relationship between items of financial statements. A financial statement is an organized collection of data according to logical and conceptual framework consistent accounting procedure. Its purpose is to convey an understanding of some financial aspects of a business firm. It may show a position at a moment of time as time, as in the case of an income statement.

AREA OF FINANCIAL STATEMENT ANALYSIS:
Financial analysis often assess the firm's production and productivity performance, profitability performance, liquidity performance, working capital performance, fixed asset performance , fund flow performance and social performance .
- ➢ Working capital analysis
- ➢ Financial structure analysis
- ➢ Activity analysis
- ➢ Profitability analysis

OBJECTIVES OF FINANCIAL PERFOMANCE:
1. Assessment of Past Performance:
Past performance is a good indicator of future performance. Investors or creditors are interested in the trend of past sales, cost of goods sold, operating expenses, net income, cash flows and return on investment. These trends offer a means for judging management's past performance and are possible indicators of future performance.

2. Assessment of current position:
Financial statement analysis shows the current position of the firm in terms of the types of assets owned by a business firm and the different liabilities due against the enterprise.

3. Prediction of profitability and growth prospects:
Financial statement analysis helps in assessing and predicting the earning prospects and growth rates in earning which are used by investors while comparing investment alternatives and other users in judging earning potential of business enterprise.

4. Prediction of bankruptcy and failure:
Financial statement analysis is an important tool in assessing and predicting bankruptcy and probability of business failure.

5. Assessment of the operational efficiency:
Financial statement analysis helps to assess the operational efficiency of the management of a company. The actual performance of the firm which are revealed in the financial statements can be compared with some standards set earlier and the deviation of any between standards and actual performance can be used as the indicator of efficiency of the management.

Factors Determining Financial Structure:
➢ Trading on Equity or leverage
➢ Capital Gearing
➢ Cost of Capital
➢ Maximum Control
➢ Flexibility
➢ Size of the Company

Parties interested in financial analysis
The users of financial analysis can be divided into two broad groups.

Internal users
➢ Financial executives
➢ Top management

External users
➢ Investors
➢ Creditor.
➢ Workers
➢ Customers
➢ Government
➢ Public
➢ Researchers

2. REVIEW OF LITERATURE
Financial Statement simply means a declaration of what is believed to be true and which, communicated in terms of monetary unit. It describes certain attributes of a company that is considered to fairly represent its financial activities. *(Meigns et al. (2001).*

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 performance he has pointed & suggested that the financial statement analysis involves analyzing the financial statements to extract information that can facilitate decision making. It is the process of evaluating the relationship between component parts of the financial statements to obtain a better understanding of an entity's position and performance. *(Rach Minaxi A (2011)*

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.

Financial ratios analysis can spot better investment options for investors as the ratio analysis measures various aspects of the performance and analyses fundamentals of a company or an institution. *(Gopinathan, 2009)*

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.

Financial ratios into five categories "liquidity ratios, solvency ratios, activity ratios, profitability ratios, and operating ratios". They indicated that financial ratios themselves do not provide valuable information about a firm's performance. *(Andrew and Schmidgall 1993)*

The temporal behaviour of financial ratio distributions and found that business cycle affects the cross sectional financial ratio distributions.. *(Virtanen and Yli-Olli 1989)*

3. OBJECTIVE OF STUDY
A. To determine the financial position of ACCORD Puducherry
B. To measure the performance of ACCORD Puducherry.
C. To measure the relationship of net income to equity.

4. RESEARCH METHODOLOGY
A. DEFINITION:
Research is systematic and objective analysis and recording of controlled observations that may lead to the development of generalizations, principles, theories and concepts, resulting in prediction for seeing and possibly ultimate control of events.

B. 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.

C. 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.

D. RESEARCH TOOLS:
I. Ratio Analysis
II. Trend Analysis

I. 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. Liquid Ratio
3. Gross Profit Ratio
4. Net Profit Ratio

5. Operating Profit Ratio

6. Stock Turnover Ratio

7. Working Capital Turnover Ratio

8. Fixed Asset Turnover Ratio

9. Turnover to Total Assets Ratio

10. Fixed Asset Ratio

5. DATA INTERPRETATION

II. 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.

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
Gross profit ratio	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

A. INFERENCE:
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 Trend analysis for the year 2015-2019

Particulars					Yearend(Rs. in lakhs)			Trend Percentages BaseYear2015		
2015	2016	2017	2018	2019	2012	2016	2017	2018	2019
Stock	400	316	250	227	238	100	79	62	57	59
Cash	101	108	138	148	166	100	107	137	146	164
Trade Receivables	777	977	983	134	149	100	126	126	17	19
Total Current Assets	1278	1401	1371	509	553	100	109	107	40	43
LESS: Current liabilities	131	137	127	143	146	100	104	97	109	111
Working Capital	1147	1264	1244	366	407	100	5	10	69	68

B. INFERENCE:
The above table 2 shows the trend analysis for the year of 2015-2019. The stock was 4 (lakhs) it was decreasing in the next three year but in 2019 it was increasing trend. The cash was in increasing trend from 2015-2019 .Trade receivables were in decreasing trend. The current liabilities high in 2015, 2016 but it was decline in 2017 and again it was high in 2018, 2019 .The working capital was in fluctuating trend in 2015-2019.

6. SUGGESTIONS
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 significantly improving the financial performance of the Accord hotel Puducherry It is also recommended that the organization can increase the working capital ratio to make more profit in future. 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.

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 also the organization should maintain proper liquid ratio and cash position of the organization.

7. CONCLUSION
This study derives the conclusion about the Financial Statement Analysis of ACCORD PUDUCHERRY it is analyzed with the respect of overall financial performance of the ACCORD PUDUCHERRY with the tools like Ratio analysis and Trend analysis. This study reveals that the financial

performance of the company for the year of 2015 – 2019 is at satisfactory level. The company is planning several strategies to improve the company's position. The financial position of the company for the five years is analyzed and it is proved that the company is financially up to the level.

REFERENCE:

[1] Amanj Mohamed Ahmed Darbandikhan Technical Institute, Sulaimani Polytechnic University / Sulaimani (2018), the impact of financial statement analysis on the profitability assessment (Applied study of KIRKUK Company for producing constructional materials), Studies and Scientific Researches. Economics Edition, No 28, 2018.

[2] Farzan yahya, syed atiff li, (2013), Significant Analysis for Financial Statements: An Empirical study of national and unilever food, ISSN: 2222-1697, Vol.4, No.1, 2013.

[3] Vlachynský, K. 2009. Business Finance. Iura Edition, Bratislava.

[4] Baran, d. et al. 2011. Financial analysis of the company I., EPI K Unvoiced

[5] P. R. Halani, (2015) an Analysis of Working Capital Trends, RESEARCH HUB – International Multidisciplinary Research Journal, ISSN: 2349-7637, Vol- 2, issue 11.

[6] Korableva, 2017b. Building the monitoring systems for complex distributed systems: Problems & solutions. Paper presented at the ICEIS 2017 - Proceedings of the 19th International Conference on Enterprise Information Systems, 2, 221.

[7] Dr. P. Ganapathi, (2018) a study on financial statement analysis of Tamilnadu newsprint and paper limited (TNPL), ISSN (PRINT): 2393-8374, (ONLINE): 2394-0697, Vol-5, Issue-6.

[8] Hampton, J. J. (2003). Financial Decision Making. New Delhi: PHI Learning

[9] T. S. Reddy and Hari Prasad Reddy, Management Accounting, Margham Publications.

[10] S. M. Maheswari, Management Accounting, Sultan Chand and Sons Publications

[11] Chandra Bose D: Fundamentals of Financial Management.

[12] Gupta, Shashi K. and Sharma, R.K, "Management Accounting- Principles & Practices," Kalyani Publishers, Ludhiana, New Delhi