

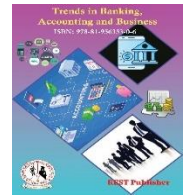


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A Study on Financial Statements in KEMS Shakthi Precision Casting Pvt. Ltd, Hosur

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Abstract: Financial statements are crucial tools used by businesses, investors, and stakeholders to assess the financial health and performance of a company. This study provides a comprehensive analysis of financial statements, focusing on financial performance and key financial ratios. The research utilizes data from publicly available financial statements of various companies to evaluate their financial health and performance. The research begins by examining the importance and purpose of financial statements in providing relevant information to stakeholders for decision-making. It discusses the different types of financial statements, including the balance sheet, income statement, and cash flow statement, and highlights their key components and interrelationships. The research emphasizes the significance of financial statements as a primary source of information for assessing a company's liquidity, solvency, profitability, and efficiency. The research then focuses on financial ratios, which are essential tools for analyzing a company's financial statements. The research explains the concept of financial ratios, including liquidity ratios, solvency ratios, profitability ratios, and efficiency ratios, and their interpretations. The research highlights the significance of financial ratios in assessing a company's short-term and long-term liquidity, leverage, profitability, and operational efficiency.

Keywords: Financial statements, Investors, Stakeholders, Ratio, Cash flow statement

1. INTRODUCTION

Financial statements are prepared primarily for decision making. They play a dominant role in setting the framework of managerial decisions. But the information provided in the financial statement is not an end in itself as no managerial can be drawn from this statement alone. However, the information provided in the financial statement is of immense use in making decisions through analysis and interpretation of financial statements. Financial analysis can be process of identifying the financial strengths and weaknesses of the firm by properly establishing relationship between the item of the balance sheet and the profit and loss account.

Objective of the study:

- To identify the various assets of the company with respect to Annual Reports of the company.
- To study the functioning of the finance department.
- Comparative study of Two-year Annual reports.
- To analyze the production, sales and profit trends of the company.
- To analyze the activity of the company and to analyze the profitability of the company.
- To analyze the financial structure of the company.
- To make suggestions for the improvement of financial soundness.

Scope of the study: The main scope of this project is.

- The accounts related matters are carried on in the circle office.
- The project duration is three months from January to March.
- The information relevant to the decision under consideration from total information contained in the financial statements.
- The information in a way to highlight significant.
- Interpretation and drawing of interfaces and conclusion.

2. REVIEWS OF LITERATURE

Sharma Rashmi, Pande Neeraj & Singh Avinash (2021) for understanding how social media monitoring can help drive consumer decision& also study. The functions of social media i.e., monitor, responses amplify and lead at maruti Suzuki India ltd. The researcher had discussion with social media team median managers for collecting data

&also visited the official social media sites of MSIL.

Daniel A. Moses Joshunar (2021) the study has been conducted to identify the financial strength and weakness of the Tata motors Ltd. using past 5-year financial statements. Trend analysis & ratio analysis used to comment on the financial status of company. The financial performance of the company is satisfactory and also suggest to increase the loan levels of company for the better performance.

Dhole Madhavi (2020) Investing the impact of price movement of share on selected company performance. It advise due investors consider various factors before choosing the better portfolio. Sentimental factors do play a role in price movement only in the short term but in the long run annual performance is sole factor responsible for price movement.

3. RESEARCH METHODOLOGY

Research methodology a way to systematically solve the problem or attain its objectives. It is a very important guideline and leads to completion of any project work through observation, data collection and data analysis. System of broad principles or rules from which specific methods or procedures may be derived to understand different situations (or solve different problems) within the scope of a particular discipline. Unlike an algorithm, a methodology is not a formula but a set of practices.

RESEARCH DESIGN: The research design of this project is exploratory. Though each research study has its own specific purpose but the research design of this project on KEMS SHAKTI PRECISION CASTING PVT. LTD is exploratory in nature as the objective is the development of the hypothesis rather than their testing.

4. DATA ANALYSIS AND INTERPRETATION

Current Ratio:

The current ratio measures the ability of the firm to meet its current liabilities – current assets get converted into cash during the operating cycle of the firm and provide the funds needed to pay current liabilities

$$\text{Current ratio} = \frac{\text{current asset}}{\text{current liabilities}}$$

The table shows that comparison of the current ratio for five years.

TABLE 1. Current ratio

YEAR	CURRENT ASSETS	CURRENT LIABILITIES	CURRENT RATIO
2022	142345023	112688679	1.263
2021	106975983	86992075	1.230
2020	88547898	72717570	1.218
2019	86070371	67792197	1.270
2018	79414265	65270761	1.217

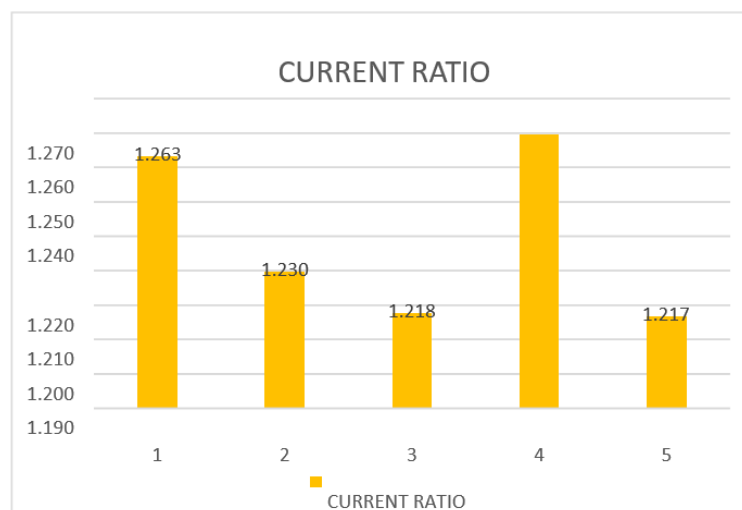


FIGURE 1. Current ratio

The table shows that the current ratio has been increased. In the year 2019 the cash flow has been increased by the current ratio in the value of 1.270. The chart shows that comparison of current ratio for five years.

Quick Ratio: The quick ratio is a fairly stringent measure of liquidity. It is based on those current assets which are highly liquid. Inventories are excluded from the numerator of this ratio because inventories are deemed to be the least liquid component of current assets.

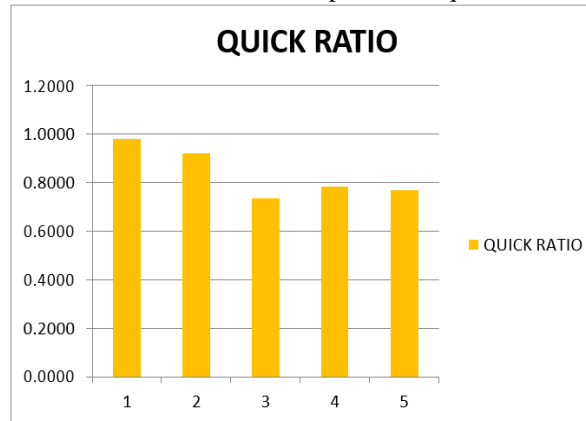
$$\text{Quick ratio} = \frac{\text{Quick asset}}{\text{current liabilities}}$$

Table shows that comparison of quick ratio for five years.

TABLE 2. Quick ratio

YEAR	QUICK ASSETS	CURRENT LIABILITIES	QUICK RATIO
2022	110502390	112688679	0.9806
2021	80175808	86992075	0.9216
2020	53629161	72717570	0.7375
2019	53089233	67792197	0.7831
2018	50247611	65270761	0.7698

The table shows that quick ratio has been increased. In the year 2022 the cash flow has been increased by the current ratio in the value of 0.9806. The chart shows that comparison of quick ratio for five years.

**FIGURE 2.** Quick ratio

Debt – Equity Ratio: The Debt – Equity ratio shows the relative contributions of lenders and owners. The numerator of this ratio consists of loan funds and the denominator represents shareholders' funds.

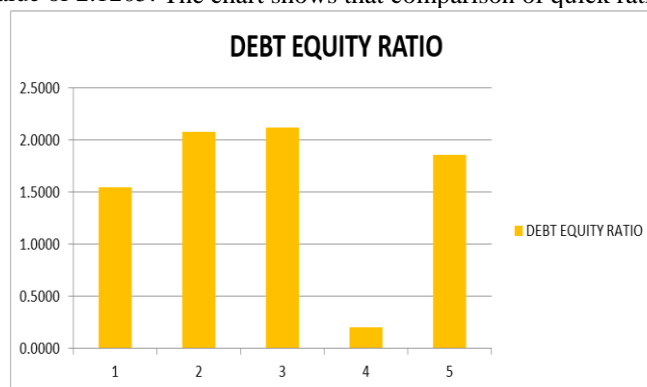
$$\text{Debt- Equity Ratio} = \text{Debt} / \text{equity}$$

Table shows comparison of debt equity ratio for five years.

TABLE 3. Debt – Equity Ratio

YEAR	LONG TERM LIABILITIES	SHARE HOLDER FUNDS	DEBT EQUITY RATIO
2022	142446355	92191198	1.5451
2021	110491448	53221396	2.0761
2020	104096744	49091266	2.1205
2019	10507818	51922299	0.2024
2018	105296927	56693789	1.8573

The table shows that the debt equity ratio has been increased. In the year 2020 the cash flow has been increased by the current ratio in the value of 2.1205. The chart shows that comparison of quick ratio for five years.

**FIGURE 3.** Debt-equity ratio

FINDING:

- In the beginning of the study periods the current ratios were very low, however due course of time it has increased.
- All the years the Acid Test ratios are less than the normal ratio.
- The sales have been increasing, but the net profit decreasing, hence the management should take care of the quality and market situations, to bring good profits to the organization.

- During all the study periods the relationship between sales to total assets are normal. Hence the company's sales were almost directly proportionate in the study periods.
- Return on capital employed ratios for the study periods are high hence the firm is efficiently using its capital.

SUGGESTION:

- The company's profit over the years has been increasing when compared to previous years.
- The non-operating expenses of the company is high all the years. So, the management should take the necessary steps to reduce the non-operating expenses. The management should take steps to reduce the borrowed capital.
- Management should take initiative steps for the proper utilization of the resources.
- The company should increase the current assets to enjoy creditworthiness.
- The liquidity position of the company is not satisfactory, and this can be improved further for the purpose of proper utilization of the liquid assets of the company.

5. CONCLUSION

On studying the financial performance of KEMS SHAKTI PRECISION CASTING PVT. LTD, Hosur for a period of five years from 2018 to 2022, the study reveals that the financial performance is better. KEMS SHAKTI PRECISION CASTING PVT. LTD, Hosur has been maintaining a good financial position and further it can improve if the company concentrates on its Administrative and selling expenses and by reducing expenses. The company should increase sales volume as well as gross profit. Despite price drops in various products, the company has been able to maintain and grow its market share to make strong margins in the market, contributing to the strong financial position of the company.

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