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A STUDY ON FINANCIAL STATEMENT ANALYSIS OF SRIRAM PERFUMES, TRICHY

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Abstract: *A financial statement is a formal record of the financial activities of a business, person or other entity. Relevant financial information is presented in a structured manner and in a form of easy to understand. They typically include basic financial statements, accompanied by a management discussion and analysis: a balance sheet also referred to as a statement of financial position, reports on a company's assets, liabilities and ownership equity at a given point in time. An income statement also referred as a statement of comprehensive income, statement of revenue and expenses, profit and loss report, report's on company's income, expenses and profit over a period of time.*

The financial statements are prepared by certain accounting conventions and principles. Accounting itself is a dynamic science, and accountants have developed, from time to time, a number of conventions on the experiences. Even though a number of conventions and assumptions have been propounded in accountancy, their use is affected by the personal judgment of accounts. The financial statements are affected by the personal judgment of accountants and such as they are subjective documents. 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 market, contributing to the strong financial position of the company.

Keywords: *Financial statements of SRI RAM Perfumes*

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INTRODUCTION

Financial statements refer to formal and original statements prepared by a business concern to disclose its financial information. The transactions affecting the business are recorded in the books and shown in the financial statements at the same values. Accountants always take some facts as accepted or postulates. In other words, business transactions are recorded on certain assumptions such as 'going concern', 'stable value of rupees' etc., these are reflected in the financial statements.

The objectives of financial statement are to provide information about the financial position, performance and changes in financial position of the enterprise that is useful to a wide range of users in making economic decisions.

Financial statements may be used by users for different purposes:

- Owners and managers require financial statements to make important business decisions that affect its continued.
- Financial analysis is then performed on these statements to provide management with a more detailed understanding of the figures.
- These statements are also used as art of management's annual report to the stockholders.
- Employees also need these reports in making collective bargaining agreements with the management, in the case of labor unions or for individuals in discussing their companion, promotion and rankings.
- Financial institutions use them to decide whether to grant a company with fresh working capital or extend debt securities (such as long-term bank loan or debentures) to finance expansion and other significant expenditures.

Financial statement analysis:

"Analysis and interpretation of financial statements are an attempt to determine the significance and meaning of the financial statement data so that forecast may be made of the prospects for future earnings, ability to pay interest and debt maturities (both current and long term) and probability of a sound dividend policy." - KENNADY & MULLER

Tools for financial statement analysis:

The history of financial statement analysis is traced back to the beginning of 20^{th} century. The analysis was started in western countries for the use of credit analysis. Till 1914, the financial institutions used to relay on the facts of financial statements. But over a period of time, the need for analysis was felt and a number of techniques were invented and made use of the purpose of analysis.

The most important tools of analysis and interpretation of financial statements are listed below;

- Ratio analysis;
- Cash flow analysis;
- Fund flow analysis;
- Comparative financial statement;
- Common size analysis;
- Net working capital analysis;
- Trend analysis;

Ratio analysis: An analysis of financial statements based on ratio is known as ratio analysis. Ratio is a mathematical relationship between two or more items taken from the financial statements.

Cash Flow Analysis: It depicts the inflows and outflows of cash. Cash flow statement is the device for such analysis. It highlights causes which bring changes in cash position between two dates of balance sheet.

Fund flow analysis: A statement of sources and applications of fund is a technical device designed to analysis the changes in financial position of a business concern between two periods.

Comparative Financial Statements: In this statement summaries and present related data for a number of years, incorporating therein changes in individual items of financial statements.

Common Size Statement: It indicates the relationship of various items with some common items. In the income statements, the sale figure is taken as basis and all other figures are expressed as percentage of sales.

Networking capital analysis: It is prepared from current assets and current liabilities on the specified dates to show net increase and decrease in working capital.

Trend analysis: Trend analysis is significant for forecasting and budgeting. Trend analysis discloses the changes in financial and operating data between specific periods.

Limitations of Financial Statements: Limitations of a financial statement analysis are as follows.

- Based on past data
- It cannot be a substitute for judgment
- Reliability of figures
- Different interpretations
- Changes in accounting methods
- Price level changes
- Balance sheet reveals the financial position of a firm on a particular day at the end of the accounting year
- Financial statement reflected the recorded facts and figures
- Financial statements do not keep with changing price levels.

OBJECTIVES OF THE STUDY

- To analyze the production, sales and profit trend of SRIRAM PERFUMES.
- To analyze the activity of SRIRAM PERFUMES
- To analyze the profitability of SRIRAM PERFUMES
- To analyze the financial structure of SRIRAM PERFUMES
- To make suggestion for improvement of financial soundness.

SCOPE OF THE STUDY

- 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 if interfaces and conclusion

STATEMENT OF THE PROBLEM

Production is considered as the backbone of the manufacturing sector. Production function is considered the effective tool to satisfy the consumer demand and to operate in an economical and efficient manner ales are the important component for the development of the business. Sales can be enhanced only by the following good sale policy. Due to the pricing policy of the government the companies have to face some fluctuations in the sales. These fluctuations may lead to increase or decrease the financial risk of the companies.

LIMITATIONS OF THE STUDY

- The study is based on secondary data, obtained from the published report and as its findings depends entirely on the accuracy of such data.
- Financial statement does not keep pace with the changing price level.

PERIOD OF THE STUDY

The period 2009-10 to 2013-14 is selected for this study this 5 period is chosen for this study.

METHODOLOGY

Data collection: The main source of data used for the study was secondary, drawn from the annual profit and loss account and balance sheet. Figures found in annual reports of the selected units. The other data sources and opinions expressed in commercial journals, magazines, accounting literature etc. have been also used in this study.

Tools used: Collected data have been processed and tabulated by using ms-excel software. Ratio analysis like liquidity ratio, profitability ratio, leverage ratio and efficiency ratio, comparative statement, common-size statement are used in this study.

(a) Financial statement: A financial statement is an organized collection of data according to logical and consistent accounting procedures. 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 in the case of a balance sheet, or may reveal a series of activities over a given period of time, as in the case of an income statement. Thus, the term financial statement generally refers to the basis statements;

- The income statement
- The balance sheet
- A statement of retained earnings
- A statement of charge in financial position in addition to the above two statements.

(b) Financial statement analysis: It is the process of identifying the financial strength and weakness of a firm from the available accounting data and financial statement. The analysis is done by properly establishing the relationship between the items of balance sheet and profit and loss account the first task of financial analyst is to determine the information relevant to the decision under consideration from the total information contained in the financial statement. The second step is to arrange information in a way to highlight significant relationship. The final step is interpretation and drawing of inferences and conclusion. Thus financial analysis is the process of selection relating and evaluation of the accounting data/information. This studying contain following analysis:

(1) Comparative financial analysis statement

(2) Common-size financial analysis statement

(3) Ratio analysis

(4) Trend analysis.

(1) Comparative financial analysis statement: Comparative financial statement is those statements which have been designed in a way so as to provide time perspective to the consideration of various elements of financial position embodied in such statements. In these statements, figures for two or more periods are placed side by side to facilitate comparison. But the income statement and balance sheet can be prepared in the form of comparative financial statement.

i) Comparative income statement:

The income statement discloses net profit or net loss on account of operations. A comparative income statement will show the absolute figures for two or more periods. The absolute change from one period to another. The changes are expressed in terms of percentages. Since, the figures for two or more periods are shown side by side; the reader can quickly ascertain whether cost of sales has increased or decreased etc.

ii) Comparative balance sheet: Comparative balance sheet as on two or more different dates can be used for comparing assets and liabilities and finding out any increase or decrease in those items. Thus, while in a single balance sheet the emphasis is on present position, it is on change in the comparative balance sheet. Such a balance sheet is very useful in studying the trends in an enterprise.

2) Common-size financial statement: Common-size financial statement are those in which figures reported are converted into percentages to some common base in the income statement the sales figure is assumed to be 100 and all figures are expressed as a percentage of sales. Similarly, in the balance sheet, the total of assets or liabilities is taken as 100 and all the figures are expressed as a percentage of this total.

3) Ratio analysis: Ratio analysis is a widely used tool of financial analysis. The term ratio is refers to the relationship expressed in mathematical terms between two individual figures or group of figures connected with each other in some logical manner and are selected from financial statements of the concern. The ratio analysis is based on the fact that a single accounting figure by itself may not communicate any meaningful information but when expressed as a relative to some other figure, it may definitely provide some significant information the relationship between two or more accounting figure/groups is called a financial ratio. It helps to express the relationship between two accounting figures in such a way that users can draw conclusions about the performance, strengths and weakness of a firm.

Classification of ratios:

a) Liquidity ratios, b) Leverage ratios , c) Activity ratios and d) Profitability ratios

a)**Liquidity Ratios:** These ratios portray the capacity of the business unit to meet its short term obligation from its short-term resources (e.g.) current ratio, quick ratio.

I) Current ratio: Current ratio may be defined as the relationship between current assets and current liabilities it is the most common ratio for measuring liquidity. It is calculated by dividing current assets and current liabilities. Current assets are those, the amount of which can be realized with in a period of one year. Current liabilities are those amounts which are payable with in a period of one year.

$$\textbf{Current Ratio} = \frac{\textbf{Current assets}}{\textbf{Current labilités}}$$

ii) Liquidity Ratio: The term 'liquidity' refers to the ability of a firm to pay its short-term obligation as and when they become due. The term quick assets or liquid assets refers current assets which can be converted into cash immediately it comprises all current assets except stock and prepaid expenses it is determined by dividing quick assets by quick liabilities.

$$\textbf{Liquidity ratio} = \frac{\textbf{Liquide assets}}{\textbf{Liquidé labilités}}$$

(a) Leverage Ratios: Many financial analyses are interested in the relative use of debt and equity in the firm. The term 'solvency' refers to the ability of a concern to meet its long-term obligation. Accordingly, long-term solvency ratios indicate a firm's ability to meet the fixed interest and costs and repayment schedules associated with its long-term borrowings. (E.g.) debt equity ratio, proprietary ratio, etc...

i) Debt equity ratio: It expresses the relationship between the external equities and internal equities or the relationship between borrowed funds and 'owners' capital. It is a popular measure of the long-term financial solvency of a firm. This relationship is shown by the debt equity ratio. This ratio indicates the relative proportion of debt and equity in financing the assets of a firm. This ratio is computed by dividing the total debt of the firm by its equity (i.e.) net worth.

$$\textbf{Debt equity ratio} = \frac{\textbf{Outsider's funds}}{\textbf{Proprietor's funds}}$$

ii) Proprietary ratio: Proprietary ratio relates to the proprietors funds to total assets. It reveals the owners contribution to the total value of assets. This ratio shows the long-time solvency of the business it is calculated by dividing proprietor's funds by the total tangible assets.

$$\textbf{Proprietary ratio} = \frac{\textbf{Proprietor's funds}}{\textbf{Total tangible assets}}$$

(b) Activity Ratios: These ratios evaluate the use of the total resources of the business concern along with the use of the components of total assets. They are intended to measure the effectiveness of the assets management the efficiency with which the assts are used would be reflected in the speed and rapidity with which the assets are converted into sales. The greater the rate of turnover, the more efficient the management would be the stock turnover ratio, fixed assets turnover ratios etc…

i) Stock turnover ratio: This ratio indicates whether investment is efficiently used or not it explains whether investment in inventories with in proper limits or not. It also measures the effectiveness of the firm's sales efforts; the ratio is calculated as follows.

$$\textbf{Stock turnover ratio} = \frac{\textbf{Cost of goods sold}}{\textbf{Average stock}}$$

$$\textbf{Average stock} = \frac{\textbf{Opening Stock + Closing Stock}}{\textbf{2}}$$

ii) Fixed assets turnover ratio: The ratio indicates the extent to which the investments in fixed assets contribute towards sales. If compared with a previous year. It indicates whether the investment in fixed assets has been judicious or not the ratio is calculated as follows.

$$\textbf{Fixed assets turnover ratio} = \frac{\textbf{Net sales}}{\textbf{Fixed assets}}$$

iii) Working capital turnover ratio: Working capital turnover ratio indicates the velocity of the utilization of net working capital. This ratio indicates the number of times the working capital is turned over in the course of a year. It is a good measure of over trading and under trading.

$$\textbf{Working capital turnover ratio} = \frac{\textbf{Net sales}}{\textbf{Net working capital}}$$

iv) Return on total assets: Profitability can be measured in terms of relationship between net profit and total assets. It measures the profitability of investment. The overall profitability can be known by applying this ratio.

$$\textbf{Return on total assets} = \frac{\textbf{Net profit}}{\textbf{Total assets}} \textbf{ x100}$$

(c) Profitability Ratios: The profitability ratios of a business concern can be measured by the profitability ratios. These ratios highlight the end result of business activities by which alone the overall efficiency of a business unit can be judged, (E.g.) gross ratios, and Net profit ratio.

i) Gross profit ratio: This ratio expresses the relationship between Gross profit and sales. It indicated the efficiency of production or trading operation. A high gross profit ratio is a good management as it implies that cost of production is relatively low.

$$\textbf{Gross profit ratio} = \frac{\textbf{Gross profit}}{\textbf{Net sales}} \textbf{ x 100}$$

i) Net profit ratio: Net profit ratio establishes a relationship between net profit (after taxes) and sales. It is determined by dividing the net income after tax to the net sales for the period and measures the profit per rupee of sales.

$$\textbf{Net profit sales} = \frac{\textbf{Net profit}}{\textbf{Net sales}} \times 100$$

iii) Expenses ratio: This ratio establishes the relationship between various indirect expenses to net sales.

(a) Administrative Expenses Ratio:

$$\textbf{Administrative expenses ratio} = \frac{\textbf{Administrative expenses}}{\textbf{Sales}} \times 100$$

(b) Selling and Distribution Expenses Ratio:

$$\textbf{Selling \& distribution expenses ratio} = \frac{\textbf{Selling \&distribution expenses}}{\textbf{Sales}} \times 100$$

REVIEW OF LITERATURE

According to The science of book keeping (1494), was the obvious remedy to record, monitor and control the commercial transactions of various businesses. Book keeping and Accounting are the forerunners of Finance. In fact, the science of financial management is based on Accounting and Economics. Accounting is defined as the art of recording and summarizing business transactions and of interpreting their effect on the affairs and activities of an economic unit.

John Myer, a renowned authority on Financial Statements Analysis, has referred that in the **initial years of 20thcentury**, the bankers and securities exchange authorities were extensively relying on the financial statements of the companies for analysis, monitoring and control of the activities and performance of businesses. Another authority has aptly said that: Accounting is a systematic means of writing the economic history of an organization. Here there is a reference that the economic activity of any business enterprise is involving money and accounting is concerned with record keeping of such monetary transactions of the business. The authority has referred that invention and growth of corporations (company form of organization) and need for keeping monetary records of growing and very large businesses were the basic reasons for the phenomenal development of accounting science and importance of financial statements as well as its analysis. This data was useful to the owners, government, customers, investors and the society.

Robert Anthony, Professor of Accounting and Financial Control at Harvard University has written many authoritative books on accounting and financial management. He defines Accounting as a means of collecting, summarizing, analyzing and reporting in monetary terms, information about the business.

Another well-known publication on Financial Management, **Financial Decision Making By John Hampton (1983)** covers authoritative and lucid exposition on the subject covering : Financial accounting, Financial Statements, Financial analysis, Leverage, Working capital, capital Budgeting, valuation of the Firm, Mergers, acquisitions and reorganization And Financial decisions.

Financial health will decide the repayment capacity of the debt sought by any business enterprise. **William Beaver studied important ratios of 79 Companies.** These ratios were important ratios which decided the success and failure of the concerned Companies.

In the Indian context, LC Gupta attempted a refinement of Beaver's method with the objective of building a forewarning system of corporate sickness. A simple non-parametric test of measuring the relative differentiating power of the various financial ratios was used. The study covered cross section of companies falling under various industries. Another important research was carried out by E.I. Altman which is referred to as Multiple Discriminated Analysis (MDA). After studying 66 Companies, Altman concluded that a set of ratios can be developed which has failure predictive power. The mixed result of these five ratios was Z score, on the basis of which the firms can be classified either financially sound or otherwise.

Eltman found that a score above 2.675 was believed to be healthy. The score below this, warranted overall financial weakness. In Eltman's study, half of the firms became bankrupt. Eltman's study was refined later on in **1977** which is more broad and 70 % accurate. Many studies have taken place on the issue of methods, tools, techniques and practices of business performance appraisal of companies. This is critical, since this system plays a key role in developing strategic plans and evaluating the achievements of the firm.

A study by MS Narsimhan, IIM, and Bangalore of 208 companies covering 8 years showed that there is a negative correlation between growth rate of EBIT and debt levels. There is increasing dependence of companies on the internal resources for their funding requirements. It is generally accepted and believed that financial leverage is beneficial and useful for maximizing return to the owners of the firm only when favorable economic factors exist and the economy is booming. Since financial leverage is also known as a double edged sword, it can produce the opposite result in adverse economic conditions. These facts may justify the performance for switching to lower debt-equity levels 1995 onwards.

Singh and Hamid (1992) and Singh (1995) have analyzed the financing pattern of nine developing countries likes India, Korea, Jordan, Pakistan, Thailand, Mexico, Malaysia, Turkey and Zimbabwe and found that in all these developing countries' corporations rely in general, very heavily on external funds and new issues of shares to finance their growth of net assets. They have also concluded that there were important differences between the two groups of corporations. Specifically, they suggested that less developed Corporations used both external finance and particularly equity finance to a much greater extent than their counterparts in advanced economies. Their findings were almost reverse of the Pecking Order pattern of finance observed for advanced country corporations. **Corbett and Jenkinson (1994, 1997)** have found that there is no market based Anglo-US pattern of financing of industry. The corporations in Germany, the United Kingdom and the United States are internally financed with small or negative contributions from market sources, while Japanese corporations are more externally financed with both banks and markets contributing larger shares than in the former group. They have also found that there is little evidence to support the view that Germany is a bank financed system and that the UK or US are market financed. Over the period of 1980s, all countries, except Japan, have become more internally and less market financed.

A study by Opler, Saron and Titman (1997) highlight the importance of corporate liability management for creating value for shareholders. Their study covered analysis of optimal capital structure (debt equity mix) in such a way that the sum of taxes paid by the firm and the costs of financial distress are minimized.

A study was conducted by Economic Times of 348 companies (which include Engineering companies also) for a period of 8 years. It was found that the net profit growth rate is not substantially different from growth rate of nominal GDP. The expectations during 2003 of nominal GDP growth over the next 3 to 4 years are about 10 to 12 %, with the real growth of about 6 to 7 %. And inflation of 4 to 5 %. The dividend yield of sample companies is about 3.5 % having increased from a less than 2 %, 5-6 years ego. Adding this to the expected earnings growth, the expected stock market return then should be between 13.5 to 15.5 %. Hence, there is a need for a shift in the investor mental programming of high return on equity investments.

Miller and Modigliani (1961) have found dividend as irrelevant in a world without taxes, transaction cost or other market imperfections and added that the investment decision of the firm is not affected by the dividends because investors can homebrew their own dividends by selling a part from or borrowing against their portfolio. The firms that issue dividends would incur flotation costs on new securities they have to issue to keep their investment policy intact.

Lintner analyzed as to how companies decide payment of dividend and concluded that firms have four important concerns. Firstly, the firms have long run target dividend payout ratios. The payment ratio is high in case of mature companies with stable earnings and low in case of growth companies. Secondly, the dividends change follows shift in long form sustainable earnings. Thirdly, the managers are more concerned with dividend changes than on absolute level. Finally, managers do not intend to reverse the change in dividends. **(Lintner J. 1956).**

Baker et al. (2001) survey of 118 CFOs of NASDAQ listed firms on 22 variables of the dividend policy found that Lintner's (1956) survey results and model is valid.

Comparative income statement (2009-10 & 2010-11)

Particulars	2009 2010	2010 – 2011	INC/DEC	%
Income:				
Sales Turnover	1974999.00	2345904.00	370905.00	18.78
Closing Stock	315360.00	1103913.00	788553.00	250.05
Other Income	96000.00	120000.00	24000.00	25.00
Total income	**2386359.00**	**3569817.00**	1183458.00	**49.59**
Expenditure				
Opening Stock	13250.00	315360.00	302110.00	2280.08
Purchases	1057433.00	2427238.20	1369805.20	129.54
Direct Expenses	544211.00	393600.00	-150611.00	-27.68
Selling & Administrative Expensesz	162433.00	221703.00	59270.00	36.49
Depreciation	46350.00	97910.00	51560.00	111.24
Total Expenditure	1823677.00	3455811.20	1632134.20	89.50
Net Profit	**562682.00**	114005.80	-448676.20	-79.74

Inference:

The sales level has increased 2010 to 2011 in 18.78%.Other income of the company has increased in 25%. The stock differential of the firm in the year of 2010 to 2011 is very high. The expenses are increased by 89.50% the net profit of the year is decreased by 79.74%.

Comparative income statement (2010-11 & 2011-12)

Particulars	2010-2011	2011-2012	INC/DEC	%
Income:				
Sales Turnover	2345904.00	729600.00	-1616304.00	11.06
Closing Stock	1103913.00	1957201.00	853288.00	0.00
Other Income	120000.00	120000.00	0.00	0.00
Total income	**3569817.00**	**2806801.00**	**-763016.00**	**-27.18**
Expenditure				
Opening Stock	315360.00	245960.00	-69400.00	-22.01
Purchases	2427238.20	1839258.00	-587980.20	-24.22
Direct Expenses	393600.00	179865.00	-213735.00	-54.30
Selling & Administrative Expenses	221703.00	271968.00	50265.00	22.67
Depreciation	97910.00	128018.00	30108.00	30.75
Total Expenditure	**3455811.20**	2665069.00	-790742.20	-22.88
Net Profit	**114005.80**	**141732.00**	**27726.20**	24.32

Inference:

The sales level has increased 2011 to 2012 in 11.06%.Other income of the company has decreased. The stock differential of the firm in the year of 2011 to 2012 is very low. The expenses are decreased by 22.88% the net profit of the year is increased by 24.32%.

Comparative income statement (2011-12 & 2012-13)

Particulars	2011-2012	2012-2013	INC/DEC	%
Income:				
Sales Turnover	729600.00	1675498.00	945898.00	11.06
Closing Stock	1957201.00	2062655.00	0.00	0.00
Other Income	120000.00	120000.00	0.00	0.00
Total income	**2806801.00**	**3858153.00**	**945898.00**	**24.52**
Expenditure				
Opening Stock	245960.00	1957201.00	1711241.00	695.74
Purchases	1839258.00	1015240.00		
Direct Expenses	179865.00	218922.00	39057.00	21.71
Selling & Administrative Expenses	271968.00	271603.00	-365.00	-0.13
Depreciation	128018.00	108828.00	-19190.00	-14.99
Total Expenditure	2665069.00	3571794.00	906725.00	34.02
Net Profit	**141732.00**	286359.00	144627.00	102.04

Inference:

The sales level has increased 2012 to 2013 in 11.06%.Other income of the company has decreased. The stock differential of the firm in the year of 2012 to 2013 is very high. The expenses are increased by 34.02% the net profit of the year is increased by 102.04%.

Comparative income statement (2012-13 & 2013-14)

Particulars	2012-2013	2013-2014	INC/DEC	%
Income:				
Sales Turnover	1675498.00	2631985.00	956487.00	57.09
Closing Stock	2062655.00	2115211.00	52556.00	11.06
Other Income	120000.00	120000.00	0.00	0.00
Total income	**3858153.00**	**4867196.00**	1009043.00	26.15
Expenditure				
Opening Stock	1957201.00	2062655.00	105454.00	5.39
Purchases	1015240.00	1915660.00	900420.00	88.69
Direct Expenses	218922.00	227065.00	8143.00	3.72
Selling & Administrative Expenses	271603.00	263809.72	-7793.28	-2.87
Depreciation	108828.00	98361.00	-10467.00	-9.62
Total Expenditure	**3571794.00**	**4567550.72**	995756.72	27.88
Net Profit	286359.00	299645.28	13286.28	4.64

Inference:

The sale level has increased by 57.09%, when compared to last year sales other income of the company remains same. The stock differential of the firm in the year of 2013 to 2014 also increased. The expense is decreased as 27.88% in both administration and selling Expenses. The company achieved a net profit of 4.64% which is very low when compared to last year’s profit.

Comparative balance sheet (2009-10 & 2010-11)

Particulars	2009-2010	2010-2011	INC/DEC	%
Sources of funds:				
Capital	775904.30	1070011.12	294106.82	37.90
Share Application Money	0.00	0.00	0.00	0.00
Reserves & Surplus	0.00	0.00	0.00	0.00
Loan Funds				
Loan	200000.00	200000.00	0.00	0.00
Sundry Creditors	0.00	1153499.80	1153499.80	0.00
Total	**975904.30**	**2423510.92**	**1447606.62**	**59.73**
Application of funds:				

Fixed assets	373672.00	665762.00	292090.00	43.87
Current assets & Loan and advances				
PNB Bank account	98787.00	434970.00	336183.00	340.00
Inventories	315360.00	1103913.00	788553.00	250.05
Investments	0.00	0.00	0.00	0.00
Sundry Debtors	173219.00	0.00	0.00	0.00
Cash and Bank Balances	14866.32	24311.92	9445.60	38.85
Loans and Advances &Deposits	0.00	0.00	0.00	0.00
Total Current Assets	**602232.32**	**1563194.92**	960962.60	61.47
Current liabilities & provisions:				
Less: Current liabilities	0.00	1153499.80	1153499.80	100.00
Net Current assets	602232.32	409695.12	-192537.20	-47.00
Total Liabilities	**602232.32**	**1563194.92**	**960962.60**	**61.47**

Inference:

The comparative balance sheet of the year 2010-2011 is as follows:-

The share capital of the company has increased in the year 2010-11 to 37 90 The fixed assets of the company have increased to 43.87%. The cash position of the company has increased. The current liability and provisions of the company is increased year after year.

Comparative balance sheet (2010-11 & 2011-12)

Particulars	2010-2011	2011-2012	INC/DEC	%
Sources of funds:				
Capital	1070011.12	1718362.12	648351.00	37.73
Loan Funds				
Loan	200000.00	200000.00	0.00	0.00
Sundry Creditors	1153499.80	1134774.50	-18725.30	0.00
Total	**2423510.92**	**3053136.62**	**629625.70**	**20.62**
Application of funds:				
Fixed assets	665762.00	836311.00	170549.00	20.39
Current assets & Loan and advances				
PNB Bank account	434970.00	220771.00	-214199.00	-49.24
Inventories	1103913.00	1957201.00	853288.00	43.60
Investments	0.00	0.00	0.00	0.00
Sundry Debtors	0.00	0.00	0.00	0.00
Cash and Bank Balances	24311.92	38853.62	14541.70	37.43
Loans and Advances &Deposits	0.00	0.00	0.00	0.00

Total Current Assets	**1563194.92**	**2216825.62**	653630.70	29.48
Current liabilities & provisions:				
Less: Current liabilities	1153499.80	1134774.50	-18725.30	-1.65
Expenses for provisions	0.00	0.00	0.00	0.00
Net Current assets	409695.12	1082051.12	672356.00	62.14
Total Liabilities	**1563194.92**	**2216825.62**	**653630.70**	**29.48**

Inference:

The comparative balance sheet of the year 2011 to 2012 is as follows:-

The secured loan of the company has increased in this year by 37.73% .The fixed assets of the company has increased to 20.39%. The cash of the company has decreased to 49.24%. The current liability of the company has decreased to 1.65% and provisions of the company are decreased to 0%.

Comparative balance sheet (2011-12 & 2012-13)

Particulars	2011-2012	2012-13	INC/DEC	%
Sources of funds:				
Capital	1718362.12	2498573.84	780211.72	31.23
Share Application Money	0.00	0.00	0.00	0.00
Reserves & Surplus	0.00	0.00	0.00	0.00
Loan Funds				
Loan	200000.00	200000.00	0.00	0.00
Sundry Creditors	1134774.50	980908.78	-153865.72	0.00
Total	**3053136.62**	**3679482.62**	**626346.00**	**17.02**
Application of funds:				
Fixed assets	836311.00	727483.00	-108828.00	-14.96
Current assets & Loan and advances				
PNB Bank account	220771.00	220771.00	0.00	0.00
Inventories	1957201.00	2062655.00	105454.00	5.11
Investments	0.00	0.00	0.00	0.00
Sundry Debtors	0.00	0.00	0.00	0.00
Cash and Bank Balances	38853.62	70675.62	31822.00	45.03
Loans and Advances &Deposits	0.00	0.00	0.00	0.00
Total Current Assets	**2216825.62**	**2354101.62**	137276.00	5.83
Current liabilities & provisions:				
Less: Current liabilities	1134774.50	980908.78	-153865.72	-15.69
Net Current assets	1082051.12	1373192.84	291141.72	21.20
Total Liabilities	**2216825.62**	**2354101.62**	**137276.00**	**5.83**

Inference:

The comparative balance sheet of the year 2012-2013 is as follows:-

The share capital of the company has increased to 31.23%. The sundry creditors of the company has decreased in this year by 13.56% .The fixed assets of the company has decreased by 14.96%. The cash position of the company has increased to 45.03%. The current liability has decreased.

Comparative balance sheet (2012-13 & 2013-14)

Particulars	2012-13	2013-14	INC/DEC	%
Sources of funds:				
Capital	2498573.84	2941549.12	442975.28	17.73
Share Application Money	0.00	0.00	0.00	0.00
Reserves & Surplus	0.00	0.00	0.00	0.00
Loan Funds				
Loan	200000.00	200000.00	0.00	0.00
Sundry Creditors	980908.78	1153602.06	**172693.28**	**14.97**
Total	**3679482.62**	**4295151.18**	172693.28	14.97
Application of funds:				
Fixed assets	727483.00	863122.00	135639.00	18.64
Current assets & Loan and advances				
PNB Bank account	220771.00	221599.98	0.00	0.00
Inventories	2062655.00	2115211.00	52556.00	2.48
Investments	0.00	0.00	0.00	0.00
Sundry Debtors	0.00	1038898.00	1038898.00	100.00
Cash and Bank Balances	70675.62	56320.30	-14355.32	0.00
Loans and Advances &Deposits	0.00	**0.00**	0.00	0.00
Total Current Assets	**2354101.62**	**3210429.30**		
Current liabilities & provisions:			0.00	0.00
Less: Current liabilities	980908.78	1153602.06	172693.28	0.00
Net Current assets	1373192.84	**2056827.24**	**683634.40**	**33.24**
Total Liabilities	**2354101.62**	**3210429.30**		

Inference:

The comparative balance sheet of the year 2011 to 2012 is as follows:-

The share capital of the company has increased to 17.73%. The sundry creditors of the company has decreased in this year by 14.97% .The fixed assets of the company has increased to 18.64%. The cash position of the company has decreased.

TABLE-4.22

Common Size Income Statement for the periods from 2010 to 2014

Particulars	2010	2011	2012	2013	2014
Income:					
Sales Turnover	1974999.00	2345904.00	729600.00	1675498.00	2631985.00
Closing Stock	315360.00	1103913.00	1957201.00	2062655.00	2115211.00
Other Income	96000.00	120000.00	120000.00	120000.00	120000.00
Total income	**2386359.00**	**3569817.00**	**2806801.00**	**3858153.00**	**4867196.00**
Expenditure					
Opening Stock	13250.00	315360.00	245960.00	1957201.00	2062655.00
Purchases	1057433.00	2427238.20	1839258.00	1015240.00	1915660.00
Direct Expenses	544211.00	393600.00	179865.00	218922.00	227065.00
Selling & Administrative Expenses	162433.00	221703.00	271968.00	271603.00	263809.72
Depreciation	46350.00	97910.00	128018.00	108828.00	98361.00
Total Expenditure	1823677.00	3455811.20	2665069.00	**3571794.00**	**4567550.72**
Net Profit	**562682.00**	**114005.80**	**141732.00**	**286359.00**	**299645.28**

Common Size Balance Sheet for the periods from 2010 to 2014

Particulars **Sources of funds:**	**2010**	**2011**	**2012**	**2013**	**SS2014**
Capital	775904.30	1070011.12	1718362.12	2498573.84	2941549.12
Loan Funds					
Loan	200000.00	200000.00	200000.00	200000.00	200000.00
Sundry Creditors	0.00	1153499.80	1134774.50	980908.78	1153602.06
Total	**975904.30**	**2423510.92**	**3053136.62**	**3679482.62**	**4295151.18**
Application of funds:					
Fixed assets	373672.00	665762.00	836311.00	727483.00	863122.00
Current assets & Loan and advances					
PNB Bank account	98787.00	434970.00	220771.00	220771.00	221599.98
Inventories	315360.00	1103913.00	1957201.00	2062655.00	2115211.00
Investments	0.00	0.00	0.00	0.00	0.00
Sundry Debtors	173219.00	0.00	0.00	0.00	1038898.00
Cash and Bank Balances	14866.32	24311.92	38853.62	70675.62	56320.30
Total Current Assets	**602232.32**	**1563194.92**	**2216825.62**	**2354101.62**	**3210429.30**
Current liabilities & provisions:					
Less: Current liabilities	0.00	1153499.80	1134774.50	980908.78	1153602.06

Expenses for provisions	0.00	0.00	0.00	0.00	0.00
Net Current assets	602232.32	409695.12	1082051.12	1373192.84	2056827.24
Total Liabilities	**602232.32**	**1563194.92**	**2216825.62**	**2354101.62**	**3210429.30**

FINDINGS

- ✓ In the beginning of the study periods the current ratios have been very low however due course of time it has been increased.
- ✓ All the years the Acid Test ratios are less than the normal ratio (i.e.) 1:1. Hence the Sri Ram Perfumes is not in a required liquidity position to meet its short term obligations.
- ✓ 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.
- ✓ In the years of study it is shown that the cost of goods sold is almost one time of the average stock.
- ✓ The debtor’s turnover ratios are very low hence it indicates that the management of the company not managing the debtors efficiently and collection of money from the debtors are not fast.
- ✓ The Net worth Turnover ratios indicate that the firm is not efficiently utilizing its capital hence it does not the capability to achieve maximum sales with minimum capital.
- ✓ During all the study period years the relationship between sales to total assets is very low.
- ✓ The company is able to generate enough cash to satisfy its debt obligations. However, a low debt-to-equity ratio may also indicate that a company is not taking advantage of the increased profits that financial leverage may bring.
- ✓ During the study periods the working capital was very low and fluctuating.

SUGGESTION

- The company's profit over the years has been increasing when compared to previous years.
- Non-operating expense of the company is high all the years. So the management should take 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 credit worthiness.
- 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.
- 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.
- The company should effectively utilize its working capital.
- The company should take steps to clear idle stocks which are kept in the company for long time.
- Collection from debtors is being very slow hence the management should take steps to collect the funds quickly.

CONCLUSION

On studying the financial performance of SRI RAM PERFUMES, TRICHY for a period of five years from 2010 to 2014, the study reveals that the financial performance is better. SRIRAM PERFUMES, TRICHY has been maintaining 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 market, contributing to the strong financial position of the company. The company was able to meet its entire requirements for capital expenditures and higher level of working capital commitment with higher volume of operations and from its operating cash flows.

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