

## **A Study On Comparative Financial Statement Analysis With Reference To Das Limited**

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Comparative analysis is the study of trend of the same items and computed items into or ore financial statements of the same business enterprise on different dates. Efficient management of finance is very important for the success of an enterprise. The term financial performance is very vibrant term. The subject matter of financial performance has been varying very quickly. In present time greater significance is given to financial performance. So, an attempt is made by the researcher to study the financial performance of the selected company i.e. Mahindra finance LTD. While analyzing the financial performance of the company it is concluded that the expenses ratios and profitability are given more importance.

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### **I. INTRODUCTION**

The financial statement analysis generally involves common size analysis, ratio analysis (liquidity, turnover, profitability, etc.), trend analysis and industry comparative analysis. This permits the valuation analyst to compare the subject company to other businesses in the same or similar industry, and to discover trends affecting the company and/or the industry over time. By comparing a company's financial statements in different time periods, the valuation expert can view growth or decline in revenues or expenses, changes in capital structure, or other financial trends. How the subject company compares to the industry will help with the risk assessment and ultimately help determine the discount rate and the selection of market multiples. The term financial analysis is also known as 'analysis and interpretation of financial statements' refers to the process of determining financial strength and weakness of the firm by establishing strategic relationship between the items of the Balance Sheet, Profit and Loss account and other operative data. The purpose of financial analysis is to diagnose the information contained in financial statements so as to judge the profitability and financial soundness of the firm. Financial statements are prepared and presented for the external users of accounting information. As these statements are used by investors and financial analysts to examine the firm's performance in order to make investment decisions, they should be prepared very carefully and contain as much investment decisions, they should be prepared very carefully and contain as much information as possible. Preparation of the financial statement is the responsibility of top management. The financial statements are generally prepared from the accounting records maintained by the firm.

Comparative study of financial statement is the comparison of the financial statement of the business with the previous year's financial statements and with the performance of other competitive enterprises, so that weaknesses may be identified and remedial measures applied. Comparative statements can be prepared for both types of financial statements i.e., Balance sheet as well as profit and loss account. The comparative profits and loss account will present a review of operating activities of the business. The comparative balance shows the effect of operations on the assets and liabilities that change in the financial position during the period under consideration. The presentation of comparative financial statements, in annual and other reports,

enhances the usefulness of such reports and brings out more clearly the nature and trends of current changes affecting the enterprise. While the single balance sheet represents balances of accounts drawn at the end of an accounting period, the comparative balance sheet represent not nearly the balance of accounts drawn on two different dates, but also the extent of their increase or decrease between these two dates. The single balance sheet focuses on the financial status of the concern as on a particular date, the comparative balance sheet focuses on the changes that have taken place in one accounting period. The changes are the direct outcome of operational activities, conversion of assets, liability and capital form into others as well as various interactions among assets, liability and capital.

### **OBJECTIVES OF STUDY**

- To study the financial statement for five years.
- To examine the financial statement with the help of comparative study

- To identifying the financial strength and weakness of the company.
- To study the overall financial position of the company.

## II. RESEARCH METHODOLOGY

Research can be defined as the search for knowledge, or as any systematic investigation, with an open mind, to establish novel facts, solve new or existing problems, prove new ideas, or develop new theories, usually using a scientific method. The primary purpose for basic research as opposed to applied research is discovering, interpreting, and the development of methods and systems for the advancement of human knowledge on a wide variety of scientific matters of our world and the universe.

Research methodology is a way to systematically solve the research problem. it may be understood as a science of studying how research is done scientifically. So, the research methodology not only talks about the research methods but also considers the logic behind the method used in the context of the research study. The project evaluates the financial performance one of the company with help of the most appropriate tool of financial analysis like ratio analysis and comparative balance sheet. Hence, it is essentially fact finding study. The study is based on secondary data. Data pertaining to ratio were collected from the balance sheet and profit & loss account of Das Limited. The necessary data were obtained from published annual report. The data required for the study has been collected from secondary sources and the relevant information were taken from annual reports, journals and internet etc.,

Tools applied: To have a meaningful analysis and interpretation of various data collected, financial leverage ratios were used for this study.

## LIMITATIONS

- As the study is based on secondary data, the inherent limitation of the secondary data would have affected the study.
- The figures in a financial statements are likely to be a least several months out of date, and so might not give a proper indication of the company's current financial position.
- This study need to be interpreted carefully. They can provide clues to the company's performance or financial situation. But on their own, they cannot show whether performance is good or bad. It requires some quantitative information for an informed analysis to be made.

## III. DATA ANALYSIS AND INTERPRETATION

**TABLE- 1 Comparative Balance Sheets as on 31st March year 1 – year 2**

Particulars	31st March 1 Rs. in lakhs	31st March 2 Rs. in lakhs	Change in Absolute Figure Rs. in lakhs	Percentage Increase or Decrease
<b>Fixed Assets (A)</b>	25169.20	23599.92	(1569.28)	6.23
<b>Investment ( B )</b>	806.11	812.09	5.98	0.74
<b>Current Assets :</b>				
Inventories	3038.38	3977.63	939.25	30.91
Sundry Debtors	4211.03	3100.98	(1110.05)	26.36
Cash and Bank Balance	130.54	141.15	10.61	8.13
Loans and Advances	2576.86	1606.03	(970.83)	37.67
<b>Total current Assets (C)</b>	9956.81	8825.79	(1131.02)	11.36
<b>Total Assets ( A+B+C )</b>	35932.12	33237.8	(2694.32)	7.50
<b>Shareholders Funds :</b>				
Share Capital	561.50	561.50	-	-
Reserves and Surplus	27091.74	27068.07	(23.67)	0.09
Deferred Tax				

	262.00	335.70	73.7	28.12
<b>Total Shareholders Funds(A)</b>	27915.24	27965.27	50.03	0.18
<b>Loan Funds :</b>				
Secured loans	6716.08	4505.38	(2210.7)	32.92
Unsecured loans	525.31	122.89	(403.42)	76.61
<b>Total Loan Funds ( B )</b>	7241.39	4628.27	(2613.12)	36.09
<b>Current Liabilities and Provision( C )</b>	775.49	644.26	(131.23)	16.92
<b>Total Liabilities (A+B+C )</b>	35932.12	33237.8	(2694.32)	7.50

**Interpretation:**

The comparative balance sheet of the company reveals during 2, that there has been a decrease in the fixed assets of Rs.(1569.28) lakhs, which indicates sale of fixed assets. The cash or fund received through sale of fixed assets have increased the cash balance of the company. The current assets have decreased by Rs.(1131.02) lakhs; this indicates firms better credit policy. Further the current liability also decreased by Rs.(131.23) lakhs, it indicates that firm have good liquidity position therefore they are able to pay liabilities within stipulated period. The fact depicts that the policy of the company is to pay all liabilities both in current and long-term liabilities within the stipulated period using both current assets and fixed assets. The investment has increased from Rs.806.11 lakhs to Rs.812.09 lakhs, which indicates the investment has been properly made. The overall financial position of the company for the year (1-2) is satisfactory.

**TABLE -2Comparative Balance Sheets as on 31st March year – year 3**

<b>Particulars</b>	<b>31st March 2 Rs. in lakhs</b>	<b>31st March 3 Rs. in lakhs</b>	<b>Change in Absolute Figure Rs. in lakhs</b>	<b>Percentage Increase or Decrease</b>
<b>Fixed Assets (A)</b>	23599.92	23293.33	(306.59)	1.30
<b>Investment ( B )</b>	812.09	690.78	(121.31)	14.94
<b>Current Assets :</b>				
Inventories	3977.63	3097.26	(880.37)	22.13
Sundry Debtors	3100.98	4405.70	1304.72	42.07
Cash and Bank Balance	141.15	46.11	(95.04)	67.33
Loans and Advances	1606.03	2177.66	571.63	35.59
<b>Total current Assets (C)</b>	8825.79	9726.73	900.94	10.21
<b>Total Assets ( A+B+C )</b>	33237.8	33710.84	473.04	1.42
<b>Shareholders Funds :</b>				
Share Capital	561.50	1123.00	561.50	100
Reserves and Surplus	27068.07	26783.09	(284.98)	1.05
Deferred Tax	335.70	429.00	93.3	27.79
<b>Total Shareholders Funds(A)</b>	27965.27	28335.09	369.82	1.32
<b>Loan Funds :</b>				
Secured loans	4505.38	4104.48	(400.9)	8.90
Unsecured loans	122.89	117.15	(5.74)	4.67
<b>Total Loan Funds ( B )</b>	4628.27	4221.63	(406.64)	8.79
<b>Current Liabilities and Provision( C )</b>	644.26	1154.12	509.86	79.14
<b>Total Liabilities (A+B+C )</b>	33237.8	33710.84	473.04	1.42

**Interpretation:**

The comparative balance sheet of the company reveals during 3, that there has been a decrease in the fixed assets of Rs.(306.59) lakhs, which indicates sale of fixed assets. The cash and bank balance have also decreased by Rs.(95.04) lakhs. This fact indicates that the firm has utilized both current and fixed assets for the repayment of long term loans as such there loan amount has reduced by Rs.(406.64) lakhs.

The current assets have increased by Rs.900.94 lakhs; this indicates firms flexible credit policy as such the debtors have been increase by Rs.1304.72. Further the current liability also increased by Rs.509.86 lakhs, it indicates that firm has not paid the liabilities within the stipulated period. The investment has reduced by Rs.(121.31) lakhs, which indicates an inflow of fund. The overall financial position of the company for the year (2-3) is satisfactory.

**TABLE-3 Comparative Balance Sheets as on 31st March year 3 – year 4**

<b>Particulars</b>	<b>31st March 3 Rs. in lakhs</b>	<b>31st March 4 Rs. in lakhs</b>	<b>Change in Absolute Figure Rs. in lakhs</b>	<b>Percentage Increase or Decrease</b>
<b>Fixed Assets (A)</b>	23293.33	21863.99	(1429.34)	6.14
<b>Investment ( B )</b>	690.78	5391.05	4700.27	680.43
<b>Current Assets :</b>				
Inventories	3097.26	3674.58	577.32	18.64
Sundry Debtors	4405.70	3524.79	(880.91)	19.99
Cash and Bank Balance	46.11	34.43	(11.68)	25.33
Loans and Advances	2177.66	2650.84	473.18	21.73
<b>Total current Assets (C)</b>	9726.73	9884.64	157.91	1.62
<b>Total Assets ( A+B+C )</b>	33710.84	37139.68	3428.84	10.17
<b>Shareholders Funds :</b>				
Share Capital	1123.00	1223.00	100	8.90
Reserves and Surplus	26783.09	30460.74	3677.65	13.73
Deferred Tax	429.00	480.00	51	11.89
<b>Total Shareholders Funds(A)</b>	28335.09	32163.74	3828.65	13.51
<b>Loan Funds :</b>				
Secured loans	4104.48	3375.82	(728.66)	17.75
Unsecured loans	117.15	98.36	(18.79)	16.04
<b>Total Loan Funds ( B )</b>	4221.63	3474.18	(747.45)	17.71
<b>Current Liabilities and Provision( C)</b>	1154.12	1501.76	347.64	30.12
<b>Total Liabilities (A+B+C)</b>	33710.84	37139.68	3428.84	10.17

**Interpretation:**

The comparative balance sheet of the company reveals during 4, that there has been a decrease in the fixed assets of Rs.(1429.34) lakhs, which indicates sale of fixed assets and an inflow of cash. This cash is utilized in meeting out long term liabilities as such the loan amount has reduced by Rs.(747.45) lakhs.

Current assets have been increased by Rs.157.91 lakhs, which indicates that its working capital position is good, but the debtors have decreased, by Rs.(880.91) lakhs which indicates by Rs.347.64 lakhs, which indicates that the liabilities have not paid within the stipulated period.

**TABLE-4 Comparative Balance Sheets as on 31st March year 4 – year 5**

Particulars	31st March 4 Rs. in lakhs	31st March 5 Rs. in lakhs	Change in Absolute Figure Rs. in lakhs	Percentage Increase or Decrease
<b>Fixed Assets (A)</b>	21863.99	20245.48	(1618.51)	7.40
<b>Investment ( B )</b>	5391.05	8709.80	3318.75	61.56
<b>Current Assets :</b>				
Inventories	3674.58	3662.46	(12.12)	0.33
Sundry Debtors	3524.79	3667.52	142.73	4.05
Cash and Bank Balance	34.43	82.12	47.69	138.51
Loans and Advances	2650.84	4537.37	1886.53	71.17
<b>Total current Assets (C)</b>	9884.64	11949.47	2064.83	20.89
<b>Total Assets ( A+B+C )</b>	37139.68	40904.75	3765.07	10.14
<b>Shareholders Funds :</b>				
Share Capital	1223.00	1223.00	-	-
Reserves and Surplus	30460.74	32298.63	1837.89	6.03
Deferred Tax	480.00	261.00	(219)	45.63
<b>Total Shareholders Funds(A)</b>	32163.74	33782.63	1618.89	5.03
<b>Loan Funds :</b>				
Secured loans	3375.82	3124.08	(251.74)	7.46
Unsecured loans	98.36	92.59	(5.77)	5.87
<b>Total Loan Funds ( B )</b>	3474.18	3216.67	(257.51)	7.41
<b>Current Liabilities and Provision( C)</b>	1501.76	3905.45	2403.69	160.06
<b>Total Liabilities (A+B+C )</b>	37139.68	40904.75	3765.07	10.14

**Interpretation:**

The comparative balance sheet of the company reveals during 5, that there has been a decrease in the fixed assets of Rs.(1618.51) lakhs, which indicates sale of fixed assets and an inflow of cash. The long term loan has reduced by Rs.(257.51) lakhs, which indicates the repayment of loan. This fact depicts that the loan is relayed through the cash received by sale of fixed assets.

The current asset has increased by Rs.2064.83 lakhs which indicate a firm's better credit policy. The current liability has also increased by Rs.2403.69 lakhs, which indicates that the payment of liabilities is not made within the stipulated period.

The investment has increased by Rs.3318.75 lakhs as such the investment of the company on the shares in its subsidiary company has increased, which indicates on outflow of cash. The overall financial position of the company for the year (4-5) is satisfactory.

- Comparative balance sheet proves that the financial performance for each succeeding year is very much satisfactory as compared with its previous year during the period of 1-5.
- It can be stated that the working capital management of the company seems to be satisfactory. But in certain years there is decrease in working capital, which is due to higher amount of current liabilities especially, increasing in provision for dividend and taxation and creditors. The company should try to decrease the current liabilities and provision by making timely payment.

#### **IV. CONCLUSION**

The study is based on comparative financial statement analysis with reference to DAS Limited. The study shows that financial position of DAS Ltd. is good. Similarly, it will be very helpful in evaluating the efficiency of performance in DAS Ltd. The company's overall position is at a good position.

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