



Comparative study analysis of the financial statements of M/s Ahuja bulbs private limited

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Abstract

Financial statement analysis is very important to evaluate the financial position of the business. Financial statements record the financial data, which must be evaluated to understand the overall health of an organisation. This comparative study is based on the various items of the financial statements of three financial years of same business. The financial performance of any company has been varying every year. So an initiative is made by the researcher to study the financial statement of three financial years of M/s Ahuja Bulbs Private Limited. The comparative is based on various trends of each item of financial statement like changes in profitability, increase or decrease in the authorised and paid up share capital, changes in loan or any mortgages, tangible assets, trade creditors or debtors by using ratio analysis which calculate statistical relationship between data. While analysing the financial statement of the company it is concluded that the net worth ratio, fixed asset ratio, shareholders' fund and profitability are given more importance.

Keywords: Financial Statement, Comparative study, Financial statement analysis, Ratio Analysis.

I. Introduction:

Financial statement analysis helps to identify trends by comparing ratios with different periods. These statements help to measure liquidity, profitability, company efficiency, shareholder fund and cash flow. Financial statement usually includes balance sheet, profit and loss statement and cash flow statement. By comparing a company's financial statements with different financial years, an expert has the information regarding financial position, trend of profit, changes in capital structure and total turnover of company. It also helps to provide the multiple financial year information which is used to track performance measure in financial statement. Financial statement analysis is one of the important tools of reviewing and analysing a company financial statement in order to know its past, present and future financial performance. This process of analysing the financial statement is used to assess the risk and determine different problematic areas. A financial statement is an organised collection of various financial data with the help of accounting standard and consistent accounting procedure. Its main purpose is to provide the information about the financial results of a business. The financial statements are usually prepared on the basis of financial recorded facts. The financial records and financial statements are from those records are based on historical costs. Financial statement analysis is a study of relationship among the various financial items in a business as disclosed by single set of statement and a study of the financial trend of these items as mentioned in a series of statement. The major objectives of financial statement analysis are to provide the shareholders financial information about a business enterprise for the use in decision making. Uses of financial statement information are made in



management for evaluating the operational and financial efficiency of the business for making investment decisions, lenders and creditors for determining the credit worthiness and solvency position and deciding the economic status of the enterprise and making sound decisions.

The comparative financial statement shows the financial position at different financial period. The elements of financial position are shown in a comparative form so as to give the idea about the financial position at two or more financial year. Two financial statements are prepared in a comparative form for financial analysis purposes. These statements enable an in-depth study of financial position of operating results. Comparative study of financial statement is the comparison of the financial statement of the business with the previous years' financial statements, so that weaknesses may be identified and remedial measures used.

The comparative financial statement may be show:

1. Absolute figures and Changes in absolute figure
2. Absolute data in terms of percentage and increase or decrease in terms of percentage

Comparative statements can be prepared for both types of financial statement i.e Balance sheet as well as profit and loss account. Single balance sheet or profit and loss statements represent only figures of particular financial year but comparative financial statement shows the financial status of two or more financial year and also the extent of increase and decrease the value of financial items in these years.

The financial data can only compare when the same accounting principles and practices are used at the time of preparing these statements. In case of any changes in the methods of accounting principles and practices this fact must be mentioned at the foot head of financial statement so that analyst was careful while using statements in comparison.

II. Research Methodology:

Research is a process of finding solution to problem after through study and analysis of the situation factors. It is systematic investigation with an open mind to establish facts, solve new or existing problems, and bring new ideas by using scientific method. This process includes defining and redefining problems, formulating or suggested solutions, collecting, organizing and evaluating data, making conclusions and finally, carefully testing the conclusions to determine whether they fit the formulated explanation. The main aim of research is to find out the truth which is hidden and has not yet been discovered.

Research methodology is the way in which research problems are solved systematically. It is the procedure by which the researchers want to know about their work of describing, evaluating and predicting phenomenon. It aims to provide the work plan of research and also provides training in choosing methods materials, scientific tools and techniques relevant for the solution of the problem. So this comparison evaluates the financial performance of company with the help of ratio analysis. This study is based on secondary data which pertaining to the ratio which were collected from the balance sheet and profit and loss account of M/s Ahuja Bulbs Private Limited. This data were obtained from the company annual report and financial statement. The data required for the study has been collected from secondary sources and the relevant information were taken from annual reports of the company, journals, text books, internal records and published books.

**Scope of Comparative Study:-**

The following are the scope of comparative study

1. The study reveals the financial performance of M/s Ahuja Bulbs Private Limited, Kanpur, Uttar Pradesh.
2. The comparison of balance sheets is used in assessing the financial position of the company.
3. To know the organization funds through proper administration and proper accounting records.
4. To organize funds from different sources like banks, investment companies and financial institutions.
5. The purpose of financial performance as to diagnose the financial soundness of the company.

Limitations of Comparative Study:

1. The study is based on secondary data. Hence, it may not provide accurate information
2. The study is restricted to the past three years(2013-2015) financial information only.
3. There may be some fractional difference in the calculations.
4. This analysis carries only internal analysis.

Comparative data analysis and interpretation**Table-1 Comparative Balance Sheet as on 31st March, 2014 and 31st March, 2013**

Particular	As at 31 st March, 2014	As at 31 st March, 2013	Change in absolute figure	Percentage Increase or Decrease
Shareholders' funds				
a. Share Capital	50,00,000.00	50,00,000.00	-	-
b. Reserves and Surplus	(83,34,247.67)	(85,69,087.75)	(2,34,840.08)	
	(33,34,247.67)	(35,69,087.75)		
Share Application Money	36,59,000.00	36,59,000.00	-	
	36,59,000.00	36,59,000.00		
Non-current liabilities				
a. Long term borrowing	1,20,21,066.00	98,68,071.00	(21,52,995.00)	17.91
b. Deferred tax liabilities	-	-		
	1,20,21,066.00	98,68,071.00		
Current liabilities				
a. Short-term borrowings	28,08,506.79	29,19,707.33	(1,11,200.54)	3.95
b. Trade payables	13,32,664.00	7,50,046.00	5,82,618.00	43.71
c. Other current liabilities	5,69,522.25	8,34,835.75	(2,65,313.5)	46.58
d. Short-term provisions	1,67,771.00	1,84,671.00	(16,900.00)	10.07
	48,78,464.04	46,89,260.08	1,89,203.96	3.88
Total	1,72,24,283.37	1,46,47,243.33	25,77,040.04	14.96
Assets				
Non-current assets				
a. Fixed assets				



i. Tangible assets	33,11,802.75	33,16,421.75	(4,619.00)	0.13
b. Investment	3,31,500.00	1,06,250.00	2,25,250.00	67.94
c. Long-term loans & advance	4,58,091.00	39,93,027.75	(35,34,936.75)	771.66
d. Other non-current assets	-	-		
Current assets	41,01,393.75	39,93,027.75	1,08,366.00	2.64
a. Inventories	63,97,231.40	69,65,223.00	(5,67,991.60)	8.87
b. Trade receivables	51,04,254.26	32,57,476.12	18,46,778.14	36.18
c. Cash & Cash equivalent	13,30,547.56	3,69,329.46	9,61,218.10	72.24
d. Short-term loans & advance	63,051.40	62,187.00	8,644.00	13.70
e. Other current assets	2,27,804.00	-	2,27,804.00	-
	1,31,22,888.62	1,06,54,215.58	24,68,673.04	18.81
Total	1,72,24,282.37	1,46,47,243.33	25,77,040.04	14.96

Interpretation:-

The comparative analysis of balance sheet between 2013-2014 reveals the following points:-

1. Reserve and surplus of the company has been decreased from in negative figure it means that company has not made any contribution in reserve and surplus.
2. Long term borrowing has also increased by 17.91% as several loans has been taken by the company for usage of funds.
3. Short term borrowing has been decreased by 3.95% it means short term loan and liability has been pay off as company's liquidity is strong.
4. Trade payable has been increased by 43.71% as company accepted funds from various parties outside the business.
5. Other liabilities means advances and remittances from customers has also decreased by 46.58% it means other liabilities has been paid up due to better availability of funds.
6. Various provision or funds has been made for meeting any liability which is also decreased by 10.71% it means this also completes its liability.
7. Overall liability of company has been increased by 14.96%
8. Fixed assets have been decreased by 0.13% it means some of the assets have been sold out.
9. Due to liquidity company has also increased its investment this year by 43.71%
10. Long term loan which is given to the supplier or any debtor has been decreased this it means payment has been made on time and there is no bad debt.
11. Inventories decreased by 8.87% it means inventories has been used for further processing in business.
12. Cash and bank of company has also increased by 72.84% it means the company has maintained its liquidity and it is in a sound position.
13. Overall assets of company has been increased by 14.96%

**Table-2 Comparative Profit and Loss Statement as on 31st March, 2014 and 31st March, 2013**

Particular	As at 31 st March, 2015	As at 31 st March, 2014	Change in absolute figure	Percentage Increase or Decrease
Continuing Operations				
Revenue from operation	1,68,49,442.00	1,55,62,079.00	12,87,363.00	7.64
Less: Excise duty	-	-		
Revenue from operation	1,68,49,442.00	1,55,62,079.00		
Other Income	40,511.00	11,946.17	28,564.83	70.51
Total revenue	1,68,89,953.00	1,55,74,025.17	13,15,927.83	7.79
Expenses				
a. Cost of material consumed	1,04,48,089.48	1,34,24,283.72	(29,76,194.24)	28.48
b. Changes in inventories of finished goods	5,67,991.60	(35,56,532.00)	(41,24,523.6)	726.15
c. Employee benefit exp	18,08,975.00	15,62,689.00	2,46,286.00	13.61
d. Finance Cost	13,13,063.00	8,77,489.00	4,35,574.00	33.17
e. Depreciation expenses	2,84,919.00	3,11,610.25	(26,691.25)	9.36
f. other expenses	21,69,054.84	24,21,704.00	(2,52,649.16)	11.64
Total expenses	1,65,92,092.92	1,50,41,243.97	15,50,848.95	9.34
Profit/ Loss before tax	2,97,860.08	5,32,781.20	(2,34,921.12)	78.86
Tax expenses:				
a. Current tax expenses	63,020.00	1,13,000.00	(49,980.00)	79.30
b. Deferred tax				
	63,020.00	1,13,000.00		
Profit/ Loss for the Year	2,34,840.08	4,19,781.20	(1,84,941.12)	78.75
Earning per share (100/-)				
a. Basic	0.47	0.84	(0.37)	

Interpretation:-

The comparative analysis of profit and loss account between 2013-2014 reveals the following points:-

1. Revenue of business has been increased by 7.64% it means company sales has been increase in current year as compared to previous year.
2. Sales of other business of company also increased in current year by 70.51%
3. Consumption cost of material has been also decreased by 20.48%
4. Employees expenses like salary, bonus, and remuneration have been increased current year as compare to previous year.
5. Expenses like bank charges, bank interest has also increased 33.17%
6. Other selling, manufacturing and office expenses has also decrease by 11.64%



7. Total expenses has been increased by 9.34%
8. Overall profit has been also decreased in the current year as compare to the previous year.

Table-3 Comparative Balance Sheet as on 31st March, 2015 and 31st March, 2014

Particular	As at 31 st March, 2015	As at 31 st March, 2014	Change in absolute figure	Percentage Increase or Decrease
Shareholders' funds				
a. Share Capital	50,00,000.00	50,00,000.00		
b. Reserves and Surplus	(8136263.80)	(8334247.67)	(1,97,983.87)	2.43
	(3136263.80)	(3334247.67)		
Share Application Money	36,59,000.00	36,59,000.00		
	36,59,000.00	36,59,000.00		
Non-current liabilities				
a. Long term borrowing	1,08,98,539.00	1,20,21,066.00	(11,22,527.00)	10.29
b. Deferred tax liabilities	-	-	-	
	1,08,98,539.00	12021066.00		
Current liabilities				
a. Short-term borrowings	20,27,483.72	28,08,506.79	(7,81,023.07)	38.52
b. Trade payables	46,92,676.00	13,32,664.00	33,60,012.00	71.60
c. Other current liabilities	8,71,569.00	5,69,522.25	3,02,046.75	34.65
d. Short-term provisions	2,34,604.00	1,67,771.00	66,833.00	28.48
	78,26,332.72	48,78,464.04	29,47,868.68	37.66
Total	1,92,47,607.92	1,72,24,282.37	20,23,325.55	10.51
Assets				
Non-current assets				
a. Fixed assets				
i. Tangible assets	35,66,635.75	33,11,802.75	2,54,833.00	7.14
b. Investment	7,85,475.00	3,31,500.00	4,53,975.00	57.79
c. Long-term loans & advance	3,40,400.00	4,58,091.00	(1,17,691.00)	34.57
d. Other non-current assets	-	-		
	46,92,510.75	41,01,393.75	5,91,117.00	12.59
Current assets				
a. Inventories	62,41,741.00	63,97,231.40	(1,55,490.40)	2.49
b. Trade receivables	69,36,271.11	51,04,254.26	18,32,016.85	26.41
c. Cash & Cash equivalents	10,61,982.06	13,30,547.56	(2,68,565.50)	25.28
d. Short term loans & advance	85,147.00	63,051.40	22,095.60	25.94
e. Other current assets	2,29,956.00	2,27,804.00	2,152.00	0.93
	1,45,55,097.17	1,31,22,888.62	14,32,208.55	9.83
	1,92,47,607.92	1,72,24,282.37	20,23,325.55	10.51



Interpretation:-

The comparative analysis of balance sheet between 2014-2015 reveals the following points:-

1. Reserve and surplus of the company has been decreased from in negative figure it means that company has not made any contribution in reserve and surplus.
2. Long term borrowing has also decreased by 10.29% it means company liquidity is better in current year as company had paid off its long term loans.
3. Short term borrowing has been decreased by 38.52% it means short term loan and liability has been pay off as company's liquidity is strong.
4. Trade payable has been increased by 71.60% as company accepted funds from various parties outside the business in current year.
5. Other liabilities means advances and remittances from customers has also increased by 34.65% it means other short term advances has been taken from the other parties due to availability of funds.
6. Various provision or funds has been made for meeting any liability which is also increased by 28.48% it means this still need to paid in future.
7. Overall liability of company has been increased by 10.51%
8. Fixed assets have been decreased by 7.14% it means some of the assets have been sold out.
9. Due to better liquidity company has also increased its investment in current year by 34.57%
10. Long term loan which is given to the supplier or any debtor has been decreased this it means payment has been made on time and there is no bad debt.
11. Inventories decreased by 2.49% it means inventories has been used for further processing in business.
12. Trade receivables means pending advances and payment from customers has also increase by 26.41%
13. Cash and bank of company has also increased by 25.28% it means the company has maintained its liquidity and it is in a sound position.
14. Overall assets of company has been increased by 10.51%

Table-4 Comparative Profit and Loss Statement as on 31st March, 2015 and 31st March, 2014

Particular	As at 31 st March, 2015	As at 31 st March, 2014	Change in absolute figure	Percentage Increase or Decrease
Continuing Operations				
Revenue from operation	1,65,90,076.00	1,68,49,442.00	(2,59,366.00)	1.56
Less: Excise duty	-	-	-	
Revenue from operation	1,65,90,076.00	1,68,49,442.00		
Other Income	2164.69	40511.00	(38,346.31)	-
Total revenue	16592240.69	16889953.00	(2,97,712.31)	1.79
Expenses				
a. Cost of material consumed	1,00,63,113.52	1,04,48,089.48	(3,84,975.96)	3.82



b. Changes in inventories of finished goods	1,55,490.40	5,67,991.60	(4,12,501.20)	265.29
c. Employee benefit exp	19,64,482.00	18,08,975.00	1,55,507.00	7.91
d. Finance Cost	15,65,346.08	13,13,063.00	2,52,283.08	16.11
e. Depreciation expenses	3,26,335.00	2,84,919.00	41,416.00	12.69
f. other expenses	23,19,489.52	21,69,054.84	1,50,434.68	6.48
Total expenses	1,63,94,256.52	1,65,92,092.92	(1,97,836.40)	1.21
Profit/ Loss before tax	1,97,984.17	2,97,860.08	(99,875.91)	50.44
Tax expenses:				
a. Current tax expenses	-	63,020.00	-	-
b. Deferred tax				
Profit/ Loss for the Year		63,020.00		
Earning per share (100/-)				
a. Basic	0.40	0.47	(0.07)	17.5

Interpretation:-

The comparative analysis of profit and loss account between 2014-2015 reveals the following points:-

1. Revenue of main business has been decreased by 1.56% it means company sales has been decrease in current year as compared to previous year.
2. Total revenue of business has been decrease in current year by 1.79%
3. Consumption cost of material has been also decreased by 3.82%
4. Employees expenses like salary, bonus, and remuneration have been increased current year as compare to previous year by 7.91%
5. Expenses like bank charges, bank interest has also increased 16.11%
6. Other selling, manufacturing and office expenses has also decrease by 6.48%
7. Total expenses has been decreased by 9.34%
8. Overall profit has been also decreased in the current year as compare to the previous year due to decrease in sales this year.

III. Conclusions

1. During the comparison it has been observed that sales have been decreased in current year.
2. Position of raw material was fluctuating during the year.
3. Positions of assets were also decreased in current year.
4. Current liabilities and non current liabilities were also increased.
5. Consumption of raw materials and inventory has also decreased in current year.
6. Profit and loss in current year was decreased.



7. Expenses like salary, bonus, office expenses, selling expenses and manufacturing expenses was also increased in current year.
8. Cash and Cash equivalent was fluctuated during the comparison period.
9. Debtors have been increased in current year while long term loans or creditors have been decreased.
10. Position of various provisions has been fluctuating during the current year.

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