A Study on Financial Statement Analysis in Tamil Nadu Newsprint and Paper Limited, Kagithapuram, Karur

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Abstract: Finance plays an important role in successful functioning of the firm. Efficiency in performance of a firm depends on the proportion of funds invested in the form of fixed asset and current asset. The present study aims to identify the financial strength and weakness of TNPL by properly establishing the relationship between the items of the balance sheet and the profit and loss account. It is analyzed by using the ratio analysis, trend analysis and comparative balance sheet. The analysis reveals that the company’s short term solvency position is satisfactory so the company has no wealthy condition in long term and increase their current asset like cash and bank balances.

Keywords: Financial statement analysis, Financial management, TNPL.

1. Introduction

Financial performance analysis is the process of identifying the financial strength and weaknesses of the firm by properly establishing the relationship between the items of balance sheet and profit and loss account. It also helps in short term and long term forecasting and growth can be identified with the help of financial performance analysis.

2. REVIEW OF LITERATURE

The primary objective of the study was to analyze the investment pattern and utilization of fixed assets, ascertaining the working capital condition, reviewing the profitability performance and suggesting measures to improve the profitability. He concluded that the introduction of additional funds along with restructuring of finances and modernization of technology were needed for better operating performance.

3. RESEARCH METHODOLOGY

The methodology involves the way of the project carried out. Research methodology is way to solve the problem systematically. The main function of the research is to provide for the collection of relevant evidence with minimal expenditure of effort, time and study.

3.1 Research Design

Research design constitutes the blue print for collection, measurement and analysis of data. The research design used in the study is “Descriptive research”. The researcher has to analyze the balance sheet and profit and loss accounts, which is historical data and derive conclusion from it.

3.2 Method of Collection

Secondary data used for this study.

The secondary data is the data that have been already collected by & readily available from other sources. Such data are cheaper & more quickly obtainable than the primary data. The secondary data are collected from following sources:

- Company’s annual report
- Company’s website
- Manual

Tools used for analysis:

The tools used for the study by the researcher are as follows
I. Ratio Analysis
II. Trend Analysis
III. Comparative Balance Sheet

4. Data Analysis
Data Analysis is the process of systematically applying statistical and or logical techniques to describe and illustrate, condense and recap, and evaluate data. An essential component of ensuring data integrity is the accurate and appropriate analysis of research findings.

4.1 TOOLS USED FOR DATA ANALYSIS

4.1.1. Current Ratio
4.1.2. Liquid Ratio
4.1.3. Cash Ratio
4.1.4. Net Profit Ratio
4.1.5. Gross Profit Ratio
4.1.6. Total Asset Turnover Ratio

4.1.1. Current Ratio

Current ratio is defined as the ratio of current assets to current liabilities. It shows the relationship between total current assets and current liabilities. Current ratio is also called as working capital ratio or banker’s ratio.

4.1.2. Liquid Ratio

Liquid ratio is the proportion of liquid assets to liquid liabilities. It gives the relationship between ‘current assets other than stock and prepaid expenses’ to ‘current liabilities other than bank overdraft and cash credit’.
4.2.3. Cash Ratio

The cash ratio or cash coverage ratio is a liquidity ratio that measures a firm’s ability to pay off its current liabilities with only cash and cash equivalents. The cash ratio is much more restrictive than the current ratio.

![CASH RATIO GRAPH]

4.1.4. Net Profit Ratio

Net profit ratio is the percentage of net profit on net sales. It gives the relationship between net profit and net sales and is generally expressed as a percentage.

![NET PROFIT RATIO GRAPH]

4.1.5. Gross Profit Ratio

It is a profitability ratio that shows the relationship between gross profit and total net sales revenue. It is a popular tool to evaluate the operational performance of the business. It is the profit earned by the firm out of its manufacturing or trading activities.

![GROSS PROFIT RATIO GRAPH]
4.1.6. Total Asset Turnover Ratio

The amount invested in business is invested in all assets jointly and sales are affected through them to earn profits. Thus, it is the ratio of sales to Total Assets. It is the ratio which measures the efficiency with which the assets were turned over a period.

5. Conclusion

A close analysis of the financial Performance of TNPL for the past five year period reveals that the performances between the years are not consistent. The company’s financial performance analysis shows a vast difference between one year figures to another year figures. After the findings and suggestions, the researcher conclude that if the concern wants to be prosperous in the future, it need to make effective use of cost of reduction measures, inventory control measures, suitable credit policy, suitable purchase policy to enjoy economies of large scale production, sound cash management for optimum utilization of all resources and capital.

References