



**“A Study on Financial Statement Analysis of with Special
Refernce to KCCB Civil Construction (p) Ltd, Hosur.Krishnagiri
District “**

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ABSTRACT

This research work aims to study the job satisfaction provided for the employees of the organizations. Employee job satisfaction plays a vital role in the achieving productivity and job satisfaction in any organization. Absence of the expected level of job satisfaction may lead to a high turnover of employees and this loss affects the productivity. Satisfying or fulfilling the needs of the workers, would give them a better opportunity and more time to concentrate on job performance. The study was conducted in general with a special reference to KCCB CIVIL CONSTRUCTION. Pvt. Ltd. Hosur, for the study purpose the sample of size 110 was taken at random. The simple random probabilistic sampling method was used to decide the sample. A questionnaire was used to interview the 110 respondents. Percentage analysis and statistical tool like chi-square and percentage analysis were used for data analysis and interpretation. The employees feel that safety training should be conducted



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regularly and it should include all the employees. The researcher is of the opinion that the safety things among the employees is quite low. As found from the study, the job satisfaction that disappoints the employees the most is the canteen facilities. Since the statistical analysis shows that the Category of workers and level of job satisfaction is related

Key words: job satisfaction, high turnover, better opportunity, safety training

CHAPTER – 1

1.1.INTRODUCTION

Finance is regarded as the lifeblood of a business enterprise. In general, finance maybe defined as ‘the provision of money at the time it is wanted.’ Business finance can broadly be defined as “the activity concerned with planning, raising, controlling, and administering of the funds used in the business”.

CONCEPT OF FINANCIAL STATEMENT

Financial statement, also called financial report, refers to such statements as it contains financial information of the enterprise. They are over all general purpose entity statement as they report financial position and operation results of a business enterprise at the end of accounting period. As a matter of fact, these statements reflect the total of the summary of the books of account.

The basic purpose of preparing financial statement is to convey to owners, creditors and general public about financial position of the enterprise. They are used as basic for decision by all those interested in the enterprise and the management may review the company progress to data and decide upon the courses of action to taken in future on the basis of information contained in the financial statement.

1.2 IMPORTANCE OF FINANCIAL STATEMENTS



The financial statements are mirrors, which reflect the financial positions and operating strength or weakness of the concern. Financial statements points out major:

- ❖ As a aid to government points supervisor
- ❖ As a basic of taxation.
- ❖ As a basis for granting of credit
- ❖ As a basis for price or rate regulation
- ❖ Enforcing financial discipline in the use of financial resources through the co-operation of the various divisions in the organization.
- ❖ Build up adequate reserves for financing growth and

1.3 FINANCIAL STATEMENT ANALYSIS - AN OVERVIEW

The basis of financial planning, analysis and decision-making is the financial information. Financial information is needed to predict, compare and evaluate the firms earning ability. It is also required to aid in economic decision making, investment and finding decision-making.

Accounting system of a firm is the main sources of financial information. The accounting system helps to accumulate, measure and communicates financial information to various users for making economic decision. The users of financial information include owner, creditors, manager, employees, customer, suppliers, government and society.

The financial statement, balance sheet and profit and loss account are the basis instruments of an accounting system to communicate financial information to users.

Balance sheet shows the financial condition or the statement of the firm at a particular point of time. More specifically, balance sheet contains detailed information about the firm's assets and liabilities.



Assets represent economic resources possessed by the firm. Fixed assets are used in business for more than accounting period of one year, while current assets are converted into cash payable within an accounting period are called current liabilities funds contributed by owner equity. Thus balance sheets give concise summary for the firm's resources and obligations and measure the firm's liquidity and solvency.

The profit and loss account shows the profitability of the firm by giving details above revenues and expenses. Revenues are benefits which customers contribute to the firm in exchange of goods and services provided by the firm. The cost of the economic resources in providing goods and service to the customers is called expenses. Thus the basic purpose of the profit and loss account is to provide a concise summary of the firm's revenues and expenses during a period of time and measure its profitability.

1. 4 ADVANTAGES OF FINANCIAL STATEMENT ANALYSIS

There are various **advantages** of financial statements analysis.

The major **benefit** is that the investors get enough idea to decide about the investments of their funds in the specific company. Secondly, regulatory authorities like International Accounting Standards Board can ensure whether the company is following accounting standards or not. Thirdly, financial statements analysis can help the government agencies to analyze the taxation due to the company. Moreover, company can analyze its own performance over the period of time through financial statements analysis.

CHAPTER – 2

2.1 OBJECTIVES OF THE STUDY

- To study and find out the exiting financial position of the company.
- To ascertain the profitability and liquidity position of the company.



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- To ascertain the solvency position of the company.
- To study the financial efficiency of the firm through activity ratio.
- To suggest ways and means to improve the financial performance of the company.

2.2.LIMITATIONS OF THE STUDY

The conclusions cannot be taken on their face value.

- The price level is changing area the period which are based on historical data.
- Ratios are only post mortem of what has happened between two balance sheets, they also given no clue to future.
- The results are divided from the balance sheet figure

2.3. NEED FOR THE STUDY

- ❖ The study aims at assessing profitability and solvency position of the Firm.
- ❖ The liquidity and activity positions of the firm are analyzed using liquidity and turnover ratios involving current liabilities.
- ❖ The solvency position of the company is also analyzed using ratios.

Chapter- 3

3.1.RESEARCH METHODOLOGY

RESEARCH DESIGN

The collected data were presented in tables and these tables were analyzed systematically. Ratio analysis, the vital financial tool was used to study the financial performance of co-operative bank Ltd. chart and various diagrams are used to explain the analysis clearly. It is an undisputed truth that graphs and diagrams render any complicated discussion and any intricate subject, very simple to any casual reader of the thesis.



Common size financial statement is a tool to assess, in which figures reported are converted into percentages to some common base. Trend percentages are also taken as a tool which is immensely helpful in making a comparative study of the financial statement for several years. The method of calculating trend percentages involves the calculation of percentage relationship that each item bears to the same item in the base year.

DATA COLLECTION

The study is based on secondary source of data. Secondary data have been mainly obtained from annual reports, and books of KCCB Civil Construction Pvt. Ltd. The secondary data were also collected from audited financial statement periodicals and other records maintained by KCCB Civil Construction Pvt. Ltd.

3.2.REVIEW OF LITERATURE

A personal of research studies in projects reveals that the topic of financial statement & analysis of major interest to finance students over the last decade the topic has been researched by a good number of management students. In this chapter the researcher briefly brings to light some of the selected studies on the topic.

1. A study on the financial statement & analysis of a KCCB Civil Construction Pvt. Ltd objectives of the study were; to analyze the cost structure of the company in terms of various components of cost; to analyses in details the financial position of the company; to examine the trend in sales and to find out the empirical relationship between the key elements of costs and rates; to identify the extent of the sickness with the help of key financial ratios and to suggest suitable revival measured for the company. The primary data was collected through interview and personal observation. The secondary data was obtained from the annual reports of the company. The study revealed that both materials and operational costs were very high, the accumulated losses were also very high.



2. A study on financial planning and financial statement & analysis, 30 years back and its current trends in KCCB Civil Construction Pvt. Ltd . The objective of the study were to examine the financial performance of the company. To analyze the existing system of the financial analysis. To analyze the operational efficiency of the enterprises to make analysis on the possible changes that could be made to improve the existing system. The study revealed that the financial position as well s financial performance of the company was good but could be improved and strengthened further by consciously identifying and cultivating new innovative techniques and methods of financial management for better management of time an funds.

3. Sakthivel.V” has done the project in the topic of performance of Bharat Heavy Electrical Ltd in India from the year of 1993 to 2002. The main objectives are to study the operational performance of BHEL thorough the value added analysis, the study the financial performance of BHEL and evaluate the same, to study the profit and loss account of the unity to know the economic condition of the BHEL units in India. The conclusions are there is a general fall in cost of production, decrease in the placement of order is due to continued show down in the capital goods sectors and lack of investment, turnover of the new products continued 24 percent at the turnover and spares turn over was Rs.5724 million. While turn over increased by 10 percent other expenses were strictly controlled.

4. Paramasivam. D. a research student has done the project topic for financial performance analysis of TNPL in Karur during the period of 2002. The main objectives of to measure the liquidity position, leverage effect, profitability and activity of the company. The findings are the company is heavily good liquidity position and we can say with out any default the company can pay its liability as on the due dates, the gross profit ration is concerned the TNPL has a good gross profit margin, the net profit ratio of TNPL is a



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satisfaction before the expansion programmed, as for as the financial leverage ration is concerned TNPL us at far. But in the year 2001, the company has lost its magnitude of the financial leverage.

CHAPTER – 4

ANALYSIS AND INTERPRETATION

4.4 INCOME STATEMENT ANALYSIS

4.4.1 PROFIT AND LOSS ACCOUNT - KCCB CIVIL CONSTRUCTION

PVT LTD FOR THE YEAR 31.3.2005 TO 31.3.2009(Rs. in Lakhs)

PARTICULARS	S.NO	31.03.2005	31.03.2006	31.03.2007	31.03.2008	31.03.2009
INCOME						
Sales		20102	23228	32670	40258	47853
Less : Excise Duty		-	-	6039	7842	9167
		20102	23228	26631	32416	38686
Ship character Income		1261	439	-	-	-
Wind Energy Generation		876	-	-	-	-
Other Income	A	138	111	218	137	187
Inc/(Dec) in Stocks	B	664	373	(275)	(872)	338
TOTAL		23041	24151	32613	31681	39211
EXPENDITURE						
Raw Material Consumed	C	2371	2844	4101	4667	6522
Stores & Spares consumed		834	798	1287	1452	1884
Power & Fuel		5541	4665	5822	9934	12745
Excise Duty		2853	3486	6051	(61)	34
Packing Charges		1155	1236	1995	2080	2604

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Salaries, Wages, Bonus & Amentias to staff	D	1418	1535	1439	1424	1618
Repairs & Maintenance	E	556	615	643	1078	1313
Loading & Transport charges		564	619	967	1017	944
Advertisement & sales promotion		182	239	138	157	224
Commission		66	110	185	262	314
Interest	F	2483	3304	4610	3005	2038
Other expenses	G	2184	1829	1169	1456	1568
Donation		10	-	-	-	-
Depreciation		2090	2204	2780	2826	3111
TOTAL		22307	24641	34992	29297	34939
PROFIT / (LOSS) FOR THE YEAR		734	(490)	(2379)	2384	4272
Less : Provision for income tax		70	-	-	-	-
Current Tax		-	-	-	185	342
Deferred Tax liability / (Asset)		-	700	1657	803	1134
Provision for Tax on proposed dividend		43	-	-	-	-
		621	(1190)	(722)	1396	2796
Add : Income tax refund relating to earlier year		-	39	23	(2)	-



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Investment allowance reserve withdrawn	-	-	677	172	-
Provision for income tax no longer required	77	-	3	-	-
Balance in P&L account brought forward from last year	7843	8114	8963	3941	4691
	8591	6963	3941	5507	7487
Less : Transfer to G/R	55	3000	-	150	419
Proposed dividend on enquiry sales	422	-	-	590	1180
Tax on proposed dividend	-	-	-	76	165
Balance Carried to B/S	8114	8963	3941	4691	5723
Earnings per share (In Rs.)					
Basic	-	-	(-)8.07	7.45	13.32
Diluted	-	-	(-) 10.04	7.45	13.32

INTERPRETATION

The above table shows that the profit and loss account of the firm is fluctuating. There is profit during the period 2004 – 2005 (Rs. 734 lakhs) and there is a loss in the following years. Again there is profit for the current period 2008 - 2009 (Rs. 4272 lakhs). It shows the growth of the firm.

4.4.2. ANALYSIS OF COMPARATIVE FINANCIAL STATEMENT

4.4.2. Comparative Financial Statement (2008, 2009)

Table 4.4.2 (Rs. in Lakhs)

Particulars	2008	2009	Inc / Dec	Inc/ Dec (%)
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Income				
Issue of share	45642.20	52911	87,032,630	150.56
Other Income	136.87	146.87	149,945	78.37
Total Income	45779.07	53057.87	81,502,925	243.98
Expenditure				
R.M. Consumed	25360.31	35360.31	52,880,836	123.59
Power & Fuel	6303.01	93.01	1,704,405	103.98
Trading Goods Consumed	3334.64	4334.64	3,561,558	145.87
Employee Cost	497.38	497.38	4,778,375	125.76
Interest, Finance & Bank Charges	1039.27	1039.27	7,204,961	78.56
Other Expenses	1597.64	1597.64	3,470,365	102.77
Repair & Maintenance	1741.54	1741.54	-815,673	120.98
Depreciation	37489.12	37489.12	863,411	105.98
Total Expenditure	1545.60	1503.75	78,115,859	102.76
Net Profit for the Year	45779.07	53057.87	3,387,066	167.95

INTERPRETATION

The above table shows that on comparing the financial statement of company for the year ending 2008- 2009 the total income has been increased by 243.98%. The total Expenditure has been increased by 102.76%. The Net profit has been increased by 167.95%.

4.4.3. Comparative Financial Statement (2007, 2008)

Table 4.4.3. (Rs. in Lakhs)

Particulars	31.03.2007	31.03.2008	Inc / Dec	Inc/ Dec (%)
Income				
Issue of share	45642.20	41784.28	118,500,507	120.76

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Other Income	136.87	163.63	-482,989	87.90
Total Income	45779.07	41947.91	135,984,504	208.66
Expenditure				
R. M Consumed	25360.31	2381.96	65,671,688	187.76
Stores & Consumables	6303.01	6467.71	856,739	106.78
Power & Fuel	3334.64	2827.34	1,567,939	178.90
Employee Cost	497.38	1326.88	6,199,234	163.54
Interest, Finance & Bank Charges	1039.27	1368.84	527,065	102.45
Other Expenses	1597.64	492.77	-2,491,135	88.65
Repair & Maintenance	1741.54	1554.23	1,048,803	148.87
Depreciation	37489.12	40554.86	921,516	153.12
Total Expenditure	1545.60	1393.05	109,615,205	108.43
profit for the year	44233.47	40554.92	26,369,299	100.23

INTERPRETATION

The above table shows that the total income for the period 2007- 2008 is 208.66% and the expenditure is 108.43%. Hence the total profit is 100.23%

4.4.4. Comparative Financial Statement (2006, 2007)

Table 4.4.4. (Rs. in Lakhs)

Particulars	31.03.2006	31.03.2007	Inc / Dec	Inc/ Dec (%)
Income				
Issue of share	41784.28	38195.21	-3,177,052	100.43
Other Income	163.63	94.58	-428,884	98.43
Total Income	41947.91	38289.79	-22,653,080	198.86
Expenditure				



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R. M. Consumed	2381.96	21109.59	-308,704	106.87
Stores & Consumables	6467.71	6716.62	-122,142	98.65
Power & Fuel	2827.34	3035.35	-1,135,050	87.61
Interest, Finance & Bank Charges	1326.88	1419.56	-1,046,414	97.90
Other Expenses	1368.84	1222.43	2,214,336	100.67
Repair & Maintenance	492.77	1452.32	-1,011,000	87.90
Depreciation	1554.23	37576.24	-549,978	87.98
Total Expenditure	40554.86	713.55	-7,231,998	106.98
Net Profit for the Year	1393.05	38289.79	-15,421,082	91.96

INTERPRETATION

The above table shows that on comparing the financial statement of company for the years 2006, 2007. Total income is 198.86% and the total is 106.98%. The Net profit has been decreased by 91.96 %

4.4.5. Comparative Financial Statement (2005, 2006)

Table 4.4.5. (Rs. in Lakhs)

Particulars	31.03.2005	31.03.2006	Inc / Dec	Inc/ Dec (%)
Income				
Issued share	38195.21	35429.81	9,991,767	109.98
Other Income	94.58	47.20	1,122,453	98.54
Total Income	38289.79	35477.01	25,499,325	207.76
Expenditure				
R. M. Consumed	21109.59	19547.13	48,303,305	109.98
Stores & Consumables	6716.62	6716.62	1,424,225	104.87
Power & Fuel	3035.35	3035.35	497,746	100.76



Interest, Finance & Bank Charges	1419.56	1438.74	-1,563,336	108.76
Other Expenses	1222.43	948.46	4,327,065	106.98
Repair & Maintenance	1452.32	1127.93	237,933	98.65
Depreciation	37576.24	34734.06	-1,233,563	102.54
Total Expenditure	713.55	742.95	9,141,899	97.77
Net Profit for the Year	38289.79	35477.01	16,357,426	109.99

INTERPRETATION

The above table shows that on comparing the financial statement of company for the years 2005, 2006 the total 207.76% and the total Expenditure is 97.77 %. The Net profit has been increased by 109.99 %.

4.4.6. Comparative Financial Statement (2004, 2005)**Table 4.4.6. (Rs. in Lakhs)**

Particulars	31.03.2004	31.03.2005	Inc / Dec	Inc/ Dec (%)
Income				
Issue of share	35429.81	34420.06	35,951,139	175.93
Other Income	47.20	89.08	206,767	125.00
Total Income	35477.01	34509.14	16,357,894	300.93
Expenditure				
R.M. Consumed	19547.13	17248.41	8,526,370	166.76
Stores & Consumables	6716.62	6920.95	-403,006	123.87
Power & Fuel	3035.35	2542.05	-224,602	108.54
Trading Goods Consumed	1438.74	1367.29	5,509,107	129.64
Other Expenses	948.46	932.94	-171,820	88.87
Repair & Maintenance	1127.93	1111.06	111,155	108.54



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Depreciation	34734.06	33693.73	1,149,024	154.76
Total Expenditure	742.95	815.41	12,555,562	170.90
Net Profit for the Year	35477.01	34509.14	3,802,332	130.03

INTERPRETATION

The above table shows that on comparing the financial statement of company for the years 2005, 2006 the total 300.93% and the total Expenditure is 170.90 %. The Net profit has been increased by 130.03 %.

CHAPTER – 5

FINDINGS, RECOMMENDATION AND CONCLUSION

5.1 FINDINGS

- Gross Profit Ratio shows an increasing trend with ratio of 29.51% during the period 2008-2009.
- Net Profit Ratio has a steadier growth and increase during the period of study. It indicates insignificant improvement in conditions of the firm.
- During 2007-2008, the ratio was 10%. Operating Ratio is the test of operational efficiency. The efficiency has risen slightly during the period of study with 15.36% (2008-2009). The Return on Capital Employed ratio shows increasing trend in all financial years during the period of study. Highest of 41.81% obtained during the current period.
- Return on Equity Ratio shows an increasing trend though there is a slight decrease during the year 2007 – 2008. Highest ratio of 12.56% was obtained during the period 2004 – 2005 (12.56%). Since then there was a decreasing trend.



- The highest percentage of return on equity ratio existed during 2004-2005. Up to current period there was a decreasing trend in the ratio.
- Debtors Turnover Ratio shows slight variations between the periods. During 2007-2008 it was 10.96% and during the current period of the study it was 10.38.
- Debt collection period indicates the quality of debtors since it measures the fastness with which money is collected from them. As it is between 2 to 3 months, it indicates the debt collection efficiency is satisfactory in the bank. In general the amount of receivables should not exceed 3 – 4 months of credit sale.
- Fixed asset turnover ratio shows an increasing trend in all the financial years during the period of study. It shows that the assets are well utilized. The ratio was high initially and raised in succeeding period to 1.7 in the period 2005 – 2006 and it decreased to 0.9 in the period 2007 – 2008.
- The ratio was high in the period 2004 – 2005 and higher in the period 2005 – 2006. It shows an increasing trend. During 2007-2008, it fell to 0.61, and again during the current period.
- The inventory turnover ratio and the velocity period of the bank during 2004 – 2005 were 28 and in the period 2008-2009 velocity period is 40.9.

5.2 SUGGESTIONS

- ❖ The KCCB CIVIL CONSTRUCTION PVT LTD may take proper decisions to maintain their absolute liquid ratio, so that they can maintain their liquidity position in the long run.
- ❖ The liquidity position could be strengthened by reducing the current liabilities.



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- ❖ The Firm may try to increase the EPS by increasing the profitability of the firm.
- ❖ The cash balance level of the KCCB CIVIL CONSTRUCTION PVT LTD, when compared to current liabilities is minimum and the management may improve the cash balance to an optimum level to meet the contingencies.
- ❖ The firm may tighten the credit policy to the customers to reduce the debt collection period.
- ❖ The firm must concentrate on marginalizing the current assets the profit ratio should still be increased.
- ❖ From the evaluation of the current year balance, it is clear that the firm is earning more profit and that profit could be utilized for the further development of the firm.
- ❖ The firm can utilize the fund for adapting to the new technology available.

5.3 CONCLUSION

Thus, the financial statements provide a summarized view of the financial position and operations of a firm. Therefore, much can be learnt about a firm from a careful examination of its financial statements as invaluable documents or performance reports. The analysis of financial statements is, thus, an important aid to financial analysis. The study on Comparative Financial statement & analysis at KCCB CIVIL CONSTRUCTION PVT LTD ., for a period of five years from 2004 to 2009, implies the existing financial performance as satisfactory. The study also reveals that the liabilities and debt retaining trends are not up to the mark. It also does not maintain the infrastructure in which the manufacturing process takes place. Hence, the company should concentrate on those aspects. It could be concluded that the company has been performing well throughout the period of study undertaken.