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INTRODUCTION AND DESIGN
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INTRODUCTION

Financial statement analysis refers to the purpose of examining minutely, evaluating the financial condition and the results of operations (i.e. the performance) of a business enterprise. In other words, financial statement analysis is an indepth study of a firm’s financial position (i.e. Capital, Assets and Liabilities of a firm at a point of time) and its financial performance (i.e. Income, Profitability, Solvency, Earnings per share, dividend payout etc.) over a period of time.

The accounts of various financial items as referred to above are recorded and compiled in a set of statement and reports periodically in the form of the Balance Sheet and Profit and Loss Account. These financial reports and statements provide the accounting data and relevant information, which forms the basis for undertaking financial analysis.

Financial Statements which in fact reflect a firm’s financial position and performance and a better underwriting of the financial condition and performance of a firm would necessitate study and evaluation of relationships between component part of these financial statements. Therefore, we can define financial analysis in the following way also.
Financial Analysis is study of relationship among the various financial items and their trend as shown in financial statement. It is also called "Financial Statement Analysis".

Thus, financial statement analysis refers to the process of identifying the financial strengths and weakness of a firm or determining the major operating and financial characteristics of an enterprise by identifying (or establishing) significant relationships among the various items of financial statement.

Financial Analysis can be defined as a process of selecting, classifying, comparing pertinent data, highlighting significant relationships among various items relating to financial position, performance of an enterprise and drawing proper conclusions from them.

Financial Analysis is the starting point for making plans, before using any sophisticated forecasting and planning procedures.

Financial Statements are prepared primarily for decision-making. They play a dominant role in setting the framework of managerial decisions. 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. The analysis and interpretation of financial statements is essential to bring out the mystery behind the figures in financial statements.
Financial Statements analysis is an attempt to determine the significance and meaning of the financial statement data so that forecast may be made of the future earnings, ability to pay interest and debt maturities (both current and long-term) and profitability of a sound dividend policy.

The analysis and interpretation of financial statements is used to determine the financial position and results of operations as well.

**SCOPE OF THE STUDY**

The Financial Analysis is the focus of the company's performance. This concept spells out the real significance of financial performance, financial performance is dynamic and a common predisposition. The financial analysis of Sambandam Spinning Mills Ltd. takes us to the root of why a company's financial position has negative or positive predisposition. Again the study of Sambandam Spinning Mills Ltd., has gone more complicated in the light of increasing role of Government in financial movement.

Financial Analysis can be undertaken by management of the firm, or by parties outside the firm viz. Owners, Creditors, Investors, Government Agencies, Credit Agencies and the general public. The nature of analysis will differ depending on the purpose of the analyst.
This study focuses on the overall results of operations and performance or, in other words, in maintaining its profitability and solvency and ensuring the utilization of the resources most efficiently and effectively and hence the soundness of its financial position.

The information is interpreted in a simple and understandable way. The significance and utility of financial data are explained for helping decision making. The conclusions drawn from interpretation are presented to the management in the form of reports. A number of methods or devices are used to study the relationship between different statements. An effort is made to use those devices, which clearly analyse the position of the enterprise.

**STATEMENT OF THE PROBLEM**

The researcher felt that it might be suitable to study the financial factors of the Sambandam Spinning Mills Limited and their potential financial position. In this study of Sambandam Spinning Mills Limited, helped to gain knowledge of issues such as the factors influencing the company, in terms of financial position and maintenance of profit etc.
OBJECTIVES OF THE STUDY

- To study the reason for increase or decrease in financial position of Sambandam Spinning Mills Limited.
- To study the influence of factors over the financial performance of Sambandam Spinning Mills Limited.
- To study the profitability of Sambandam Spinning Mills Limited.
- To find out the problems if any and suitable suggestions to overcome such problems.

LIMITATIONS OF THE STUDY

- This study is confined to Sambandam Spinning Mills Limited’s financial performance only.
- This study has been restricted to primary data, which were supported by the company’s records.
- Due to lack of time, the study has been conducted for 5 years only.

REVIEW OF LITERATURE

A study made by S.Kalaiselvi (M.Phil. Dissertation, 1999) entitled performance analysis of Thambi Modern Spinning Mills Ltd., Salem suggests the need for making profit and distribution of profit, as dividend.

Salem” identifies the importance of maintaining liquidity and safety position of available funds.

Yet another study by R.Sivakumar (M.Phil. Dissertation 2004) entitled “A comparative study on performance analysis of TVS Motors and Hero Honda two wheelers in Salem Town” gives that profitability ratio, current ratio, working capital turnover ratio are maintained as per the norms.

A study on performance analysis about Burn Standard Company by K.R.Gayathiri (M.Phil. Dissertation 2004) reveals that the profitability of the company is fluctuating widely over the study period.

AREA OF STUDY

The researcher makes the study of Sambandam Spinning Mills Limited situated in Salem City.

PERIOD OF STUDY

The period of study conducted by the Researcher is for 5 years i.e. from 1999-2000 to 2003-2004 of Sambandam Spinning Mills Limited.

TOOLS AND METHODOLOGY

TOOLS

In order to study the financial performance of Sambadam Spinning Mills Limited, the data collected from the company’s annual report and
related web sites. To assess the performance, various tools like percentage analysis, correlation, regression equation and trend analysis were made and appropriate inferences were drawn in the analysis and interpretation of data.

METHODOLOGY

The task of data collection begins after a research problem has been defined and research design or plan chalked out. While deciding about the method of data collection to be used for the study, the researcher should keep in mind two types of data. They are

- Primary Data
- Secondary Data

Primary Data:

The Primary Data are those which are collected afresh and for the first time, and thus happen to be original in character. Primary Data can be obtained either through observation or through direct communication with respondents in one form or another or through personal interviews.

Secondary Data:

The Secondary Data are those which have already been collected by someone else and which have already been passed through the statistical process. Secondary Data may be either be published data or unpublished
data. Usually published data are available in (i) various publications of the Central, State or Local Governments, (ii) Books, Magazines and Newspapers (iii) Reports and Publications of various associations connected with business and industry, banks, stock exchanges etc. (iv) Public Records and Statistics, Historical Documents and other sources of published information. The sources of unpublished data are found in Diaries, Letters, Unpublished biographies and auto-biographies and also may be available with scholars and research workers, trade associations, labour bureaus and other public/private individuals and organizations.

The researcher has collected the necessary data for this study through published annual reports, related websites of the company.

SCHEME OF CHAPTERISATION:

Chapter I:

Introduction, scope of the study, statement of the problem, objectives of the study, limitations of the study, review of literature, area of study, period of study, tools and methodology and chapter scheme were discussed briefly.
Chapter II:

Profile of Sambandam Spinning Mills Limited was given in a lucid manner.

Chapter III:

Financial statement analysis – An overview.

Chapter IV:

The analysis and interpretation of data from the selected company are discussed.

Chapter V:

Gives an idea of findings, suggestions and conclusion over the topic selected for the study.