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Financial Statement Analysis Of GSM Tronics FZCO

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Abstract

Financial Analysis refers to the technique of evaluating the monetary position of a business by analyzing its strengths, feasibility and prosperity. One of the most vital objectives of financial study is to be familiar with changes in financial trends, to help compute the growth made by an enterprise and recognize a relationship to portray a sound conclusion on the performance of the concern. Profitability and financial performance could be defined as a measurement of the results of a firm's polices and operations in monetary terms. In assessing the whole financial situation of a company, the income statement and the balance sheet are essential reports, as the income statement is used to capture the company's operating performance and the balance sheet shows its net worth. This paper empirically explores Financial Statements of GSM TRONICS FZCO with main focus on trend analysis. The results have been concluded appropriately.

Keywords: Financial Analysis, trends, profitability, performance, operations

Introduction

Financial statements refer to formal and original statements prepared by a business concern to disclose its financial information. The transactions affecting the business are recorded in the books and shown in the financial statements at the same values. Accountants at all times take some data as accepted or postulates. In other words, big business connections are recorded on certain assumptions such as 'going concern', 'stable value of rupees' etc., these are reflected in the financial statements. The main objectives of financial statement analysis are to make

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available information relating to the financial position, performance and changes in financial situation of the project that is useful to a broad range of users in making financially viable conclusion. These statements may perhaps be used by creditors, managers, owners, management etc to make necessary company decisions.

Literature Review

1. **Samuel & Vanniarajan (2007)** discussed about financial performance of bank by applying Du-Pont analysis. They suggested that all banks should evaluate their performance and compare with the others. India Bank Association has recommended three dimensions like structural, implementation and competence factors to study the performance of the banks.

2. **Kakani, Saha & Reddy (2003)** examined Indian firm's financial performance across a range of dimensions viz., shareholder value, bookkeeping effectiveness and its components, growth and risk of the sample firms. They have found that size, marketing expenditure and international diversification had an optimistic relation with a firm's market assessment. They have also concluded that a firm's ownership compositions, mainly the level of equity ownership by domestic financial institution and dispersed public shareholders, and the leverage of the firm were important factors affecting its financial performance.

3. **Mulla (2002)** discussed in his paper about the 'Use of 'Z' score analysis for evaluation of financial health of textile mills - A case study' has been made an insight into the financial health of Shri Venkatesh Co-operative Textile Mills Ltd. He concluded that the textiles mill under study was on the brink of financial cascade downhill and on one hand, current assets declined because of the negative profitability performance, while on the other hand, the current liabilities were on the boost coz the liquidity feat of the mill was pitiable.

4. **Loundes (2001)** analyzed 'The Financial performance of Australian Government Trading Enterprises Pre &Post-Reform' revealed that during the 1990's. Main objectives of the study was to discover whether there had been any change in the financial performance of government trading enterprises operating in electricity, gas, water, railways and ports industries as a result of these changes. He had concluded that it did not appear to have been a

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noticeable enhancement in the financial performance of most of this business, although railways have improved slightly, from a low base. He has suggested several measures introduced to improve the efficiency and financial performance of government trading enterprises in Australia.

5. **Raghunathan & Agrawal (1999)** analyzed the performance of Indian Manufacturing sector in the last 8 years since liberalization on the parameters of profitability, liquidity, capital structure and turnover. They observed that the solvency and profitability ratios were encouraging till 1996. They have been steadily losing ground and this difficulty gets more pronounced when the EVA was calculated which showed that the Indian Manufacturing sector has ruined riches, while the MNCs have generated wealth for their shareholders. They have pointed out after the analysis; the poor corporate performance has led to an economic slowdown and not the other way round and corporate raised funds during the blackened days of equity markets and ended up investing these funds at below their cost of capital. In short, the outcome has been a prolonged economic slowdown.

Objectives of the Study

- To understand the financial position of the company over a period of 5 years of GSM TRONICS FZCO
- To suggest effective measures in the existing system of GSM TRONICS FZCO

Research Methodology

This study will use only secondary data that is collected from research articles, books related, annual report of GSM Tronics FZCO including the company's website and manual. Data collected will be analyzed using trend analysis.

Limitations of the study

1. The study is mainly carried out based on the secondary data provided in the financial statements.

2. Because of some confidential and secure information as per the norms of the company, it was difficult to gather some data.

3. Time is one of the limiting factors. Information for this study is based on the information provided in the annual reports. As a result, it may not be a future indicator.

Data Analysis and Interpretation

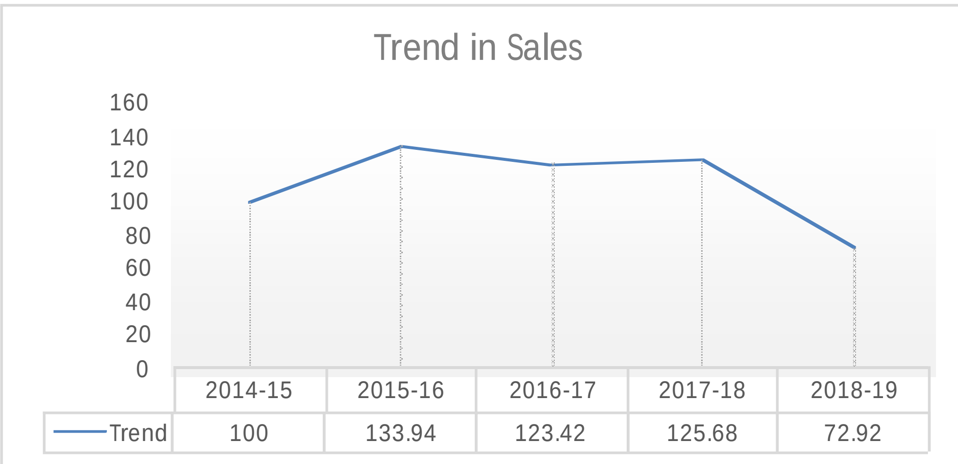
Trend Analysis

Trend analysis is often used to evaluate each line item on the income statement and balance sheet to predict the upcoming events of a given asset. They use past data to find out the direction of the trend. The objective of this process is to recognize attractive investment opportunities that are at present showing an uphill trend; and of course, to discover downtrends too, so an investor can get out before losing money.

Trend Income Statement for the year ended (2013-14 to 2017-18)

Particulars	2013-14 Trend	2014-15 Trend	2015-16 Trend	2016-17 Trend	2017-18 Trend
Sales	100	133.94	123.42	125.68	72.92
Total Income	100	130.95	124.5	123.82	72.62
Total Expenditure	100	134.26	117.88	156.25	77.13
Net Profit	100	81.49	287.6	48.77	73.2

Trend in Sales for the year ended (2013-14 to 2017-18)



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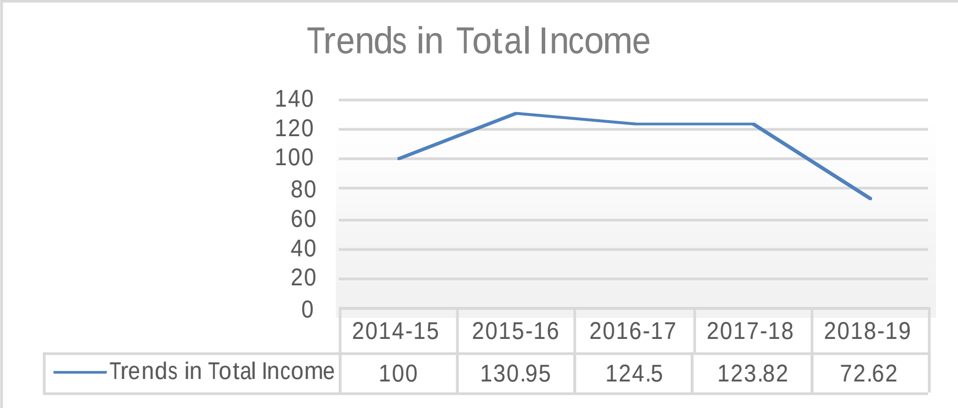
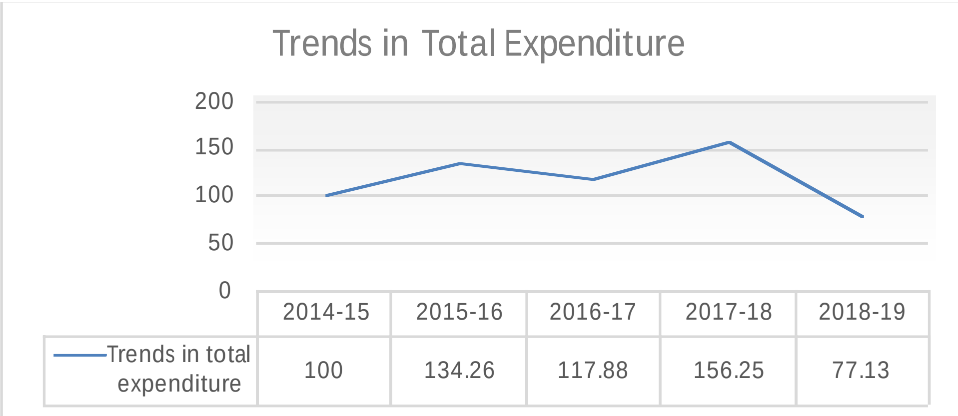
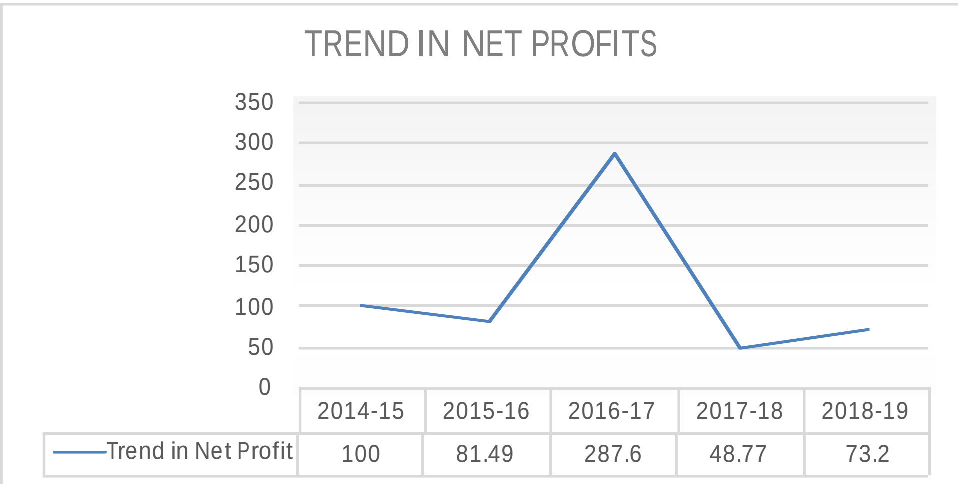
Trend in total Income for the year ended (2013-14 to 2017-18)



Trend in Total Expenditure for the year ended (2013-14 to 2017-18)



Trend in Net Profit for the year ended (2013-14 to 2017-18)



Interpretation: Trend Percentages of Net Profit is prepared as a tool to analyze total income, total expenditure, and net profit by taking 2013-14 as base year (100%) sales. The above

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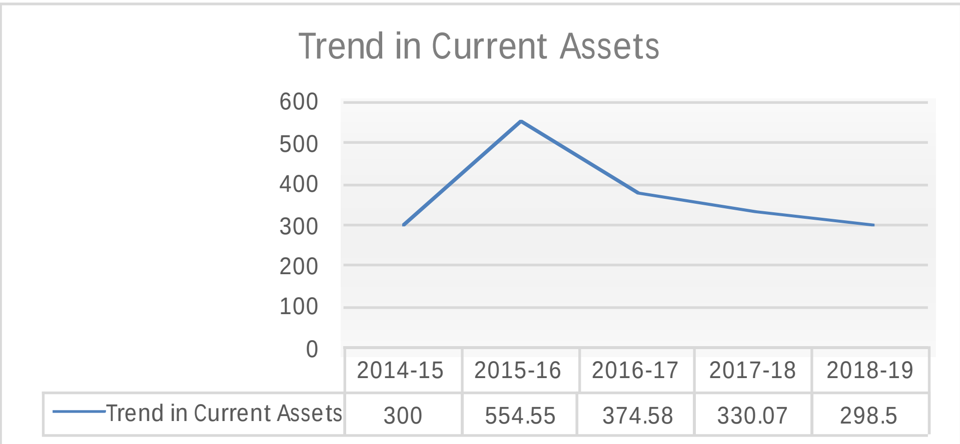
chart shows the movement of variables during the study period. The entire variable shows the lower trend during the 2017-18.

Trend Balance Sheet for the year ended (2013-14 to 2017-18)

Particulars	2013-14 Trend	2014-15 Trend	2015-16 Trend	2016-17 Trend	2017-18 Trend
Fixed Assets	100	96.5	108.6	105.83	93.48
Current Assets:					
Cash and Bank	100	177.49	110.94	125.13	99.5
Sundry Debtors	100	195.63	130.07	92.66	99.5
Advances and Deposits	100	181.43	133.57	112.28	99.5
Total Current Assets	300	554.55	374.58	330.07	298.5
Current Liabilities:					
Current Liabilities	100	187.8	155.62	133.05	112.05
Expenses provision	100	378.5	116.11	46.5	95.69
Total	**200**	**566.3**	**271.73**	**179.55**	**207.74**
Sources of funds					
Share Capital	100	100	100	100	100
Reserves and Surplus	100	174.8	287.6	46.08	71.64
Total	**200**	**274.8**	**387.6**	**146.08**	**171.64**
Loan Funds					
Secured Loans	100	133.65	84.48	91.65	81.65
Unsecured Loans	100	206.42	109.51	30.87	47.09
Total	**200**	**340.07**	**193.99**	**122.52**	**128.74**
Working Capital	100	-11.75	102.85	150.52	90.76

Trend in Current Assets for the year ended (2013-14 to 2017-18)



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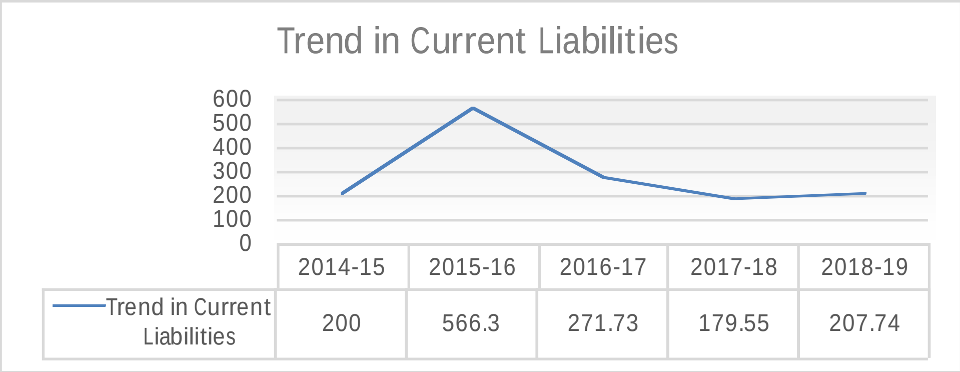
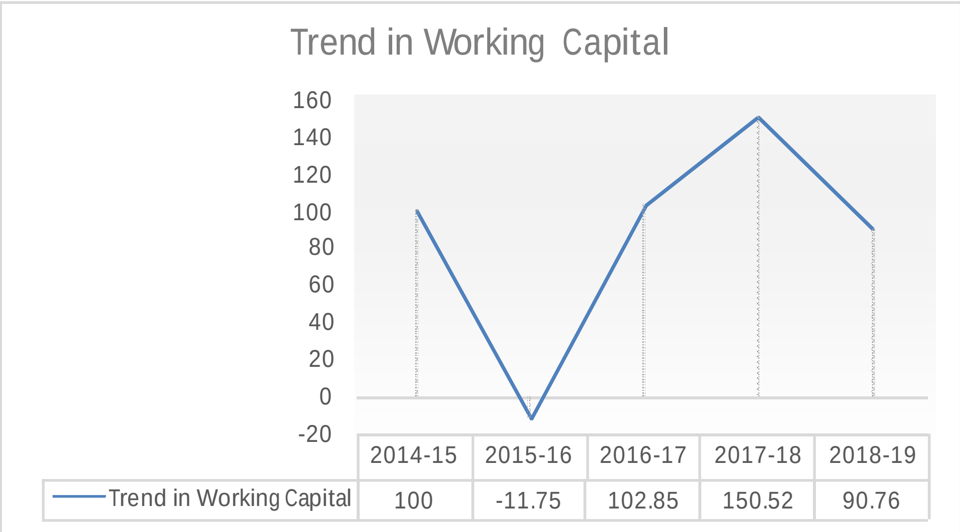
Trend in Current Liabilities for the year ended (2013-14 to 2017-18)



Trend in Working Capital for the year ended (2013-14 to 2017-18)



Interpretation:, Trend Percentages of Balance Sheet is prepared by taking 100 as base for all financial years 2014 to 2019. Fixed assets have decreased during the period 2017-18. Current assets, Current liabilities and provisions were not consistent during the study period. Therefore the balance sheet total shows an increasing trend in the figures.

Conclusion

As the name suggests the forecast and study is suitable at that one time only. It does not reveal or compare the past performance or upcoming forecast at one glimpse. One will need to exercise caution by generating and reporting on an uninterrupted basis rather than a one-

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time basis. Such extrapolation of statistics and monetary analysis undertaken often is essential to the company's health and decision-making abilities.

On studying the financial performance of GSM TRONICS FZCO for a period of five years from 20015-16 to 2018-19, the study reveals that the financial performance is better. GSM TRONICS FZCO has been able to maintain optimal cost positioning. In spite of cost drop in a variety of goods, the company has been able to retain and expand its market share to produce strong boundaries in market, which in turn contributed to the strong financial position of the company. The company was competent of gathering its whole requirements for capital expenditures and advanced level of working capital commitment with superior volume of operations and from its operating cash flows.

To conclude, of GSM TRONICS FZCO is not performing well and reducing their revenues and profits and will decrease further more in the coming year. Increase liabilities might risk company's future profits. Overly, of GSM TRONICS FZCO is maintaining their financial performance and their current assets and increase their market share and share price.

Suggestions

- Net fixed asset of the company is greater than before and although they are not utilizing the superior technology to increase sales. So the organization must take steps for the proper utilization of the resources.

- The sales of the business should further be enhanced by improving the quality through optimal utilization of company's resources (i.e. property, raw materials, credit system, etc.) and that in turn will boost the overall earnings of the organization.

- The Management must also study the market situation and find out the demand prevailing in the market for the products and thus this will guide them to enhance their sales volume.

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