**FINANCIAL STATEMENT ANALYSIS SHIVAM CEMENTS LIMITED**

A Project Report

Submitted By

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**DECLARATION**

I hereby declare that the work proposal entitled “FINANCIAL STATEMENT ANALYSIS SHIVAM CEMENTS LIMITED” submitted to the Faculty of Management, Tribhuvan University is my original work done in the form of partial fulfillment of Business studies (BBS), under the supervision of Raju Raut, Faculty of Management, and Shwoyambhu International College. This proposal has not been submitted to any other institution.

Signature: ………

Saman Singh Bahadur Tamang

Date: 24th Feb, 2022

**SUPERVISOR'S RECOMMENDATION**

The project work report entitled FINANCIAL STATEMENT ANALYSIS SHIVAM CEMENTS LIMITED submitted by Saman Singh Bahadur Tamang of Shwoyambhu International College, New Baneshwor, Kathmandu, is prepared under my supervision as per the procedure and format requirements laid by the Faculty of Management, Tribhuvan University, as partial fulfillment of the requirements for the degree of Bachelors of Business Studies (BBS). I, therefore, recommend the project work report for evaluation.

Signature:

Name of Supervisor: Mr. Raju Raut

Date: 24th Feb, 2022

# ENDORSEMENT

We hereby endorse the project work entitled “FINANCIAL STATEMENT ANALYSIS OF SHIVAM CEMENT” submitted by Saman Singh Bahadur Tamang of Shwoyambhu International College, New Baneshwor, Kathmandu in partial fulfillment of the requirements for the degree of the Bachelor of Business Studies (BBS) for external evaluation.

Signature:……………... Signature:…………………….

Dr. Hari Sharan Chakun Suman Prasad Chaudhary

Chairman, Management Research Committee Campus Chief

Date: 24th Feb, 2022 Date: ............................

**ABSTRACT**

The primary purpose of this research is to investigate and make FINANCIAL STATEMENT ANALYSIS SHIVAM CEMENTS LIMITED with the use of various statistical and financial tools. This study is based on financial figures disclosed by the company over the last five consecutive years. These details provide insight in the liquidity and solvency, as well the entities ability to meet future needs for capital and growth. Study involves comparative analysis of financial statements.

**ACKNOWLEDGEMENT**

I am using this opportunity to express my sincere gratitude to everyone who helped me throughout the course of preparing this project. I am very thankful for their guidance, assistance and constructive criticism. I am equally tributary to my supervisor Mr. Raju Rautfor his support, inspiration and supervision throughout my dissertation. I am equally indebted to all the lecturers of SHWOYAMBHU INTERNATIONAL COLLEGE, who helped me in preparing this report. I am very much thankful to chairman of the college Mr. Suman Chaudhary for providing me with guidance and instructions during the preparation of this report.

Saman Singh Bahadur Tamang

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**ABBREVIATIONS**

CA : Current Assets

CBB : Cash and Bank Balance

CL : Current Liabilities

CR : Current Ratio

SCL : Shivam Cemen tLimited

ROA : Return on assets

ITR : Inventory turnover ratio

FS : Financial statement

FY : Fiscal year

**CHAPTER I  
INTRODUCTION**

* 1. **Background of the Study**

Financial statement analysis (or financial analysis) is the process of reviewing and analyzing a company's [financial statements](https://en.wikipedia.org/wiki/Financial_statement) to make better economic decisions to earn income in future. These statements include the [income statement](https://en.wikipedia.org/wiki/Income_statement), [balance sheet](https://en.wikipedia.org/wiki/Balance_sheet), [statement of cash flows](https://en.wikipedia.org/wiki/Statement_of_cash_flows), notes to accounts and a [statement of changes in equity](https://en.wikipedia.org/wiki/Statement_of_changes_in_equity) (if applicable). Financial statement analysis is a method or process involving specific techniques for evaluating risks, performance, financial health, and future prospects of an organization.[[1]](https://en.wikipedia.org/wiki/Financial_statement_analysis#cite_note-WSF1997-1)

It is used by a variety of stakeholders, such as credit and equity investors, the government, the public, and decision-makers within the organization. These stakeholders have different interests and apply a variety of different techniques to meet their needs. For example, equity investors are interested in the long-term earnings power of the organization and perhaps the sustainability and growth of dividend payments. Creditors want to ensure the interest and principal is paid on the organizations debt securities (e.g., bonds) when due.

Lev (2000) stated ” financial statement analysis is an information processing system design to provide data for decision making models, such as the portfolio selection model, bank lending decision models and corporate financial models.”

John Myer (1997) stated “financial statement analysis is largely a study of relationship among the various financial factors in a business as disclosed by single set of statements and a study of the trend of these factors as shown in a series of statements.”

Each financial statement provides multiple years of data. Used together, analysts track performance measures across financial statements using several different methods for financial statement analysis, including vertical, horizontal, and ratio analyses. An example of vertical analysis is when each line item on the financial statement is listed as a percentage of another. Horizontal analysis compares line items in each financial statement against previous time periods. In ratio analysis, line items from one financial statement are compared with line items from another. For example, many analysts like to know how many times a company can pay off debt with current earnings. Likewise Return on assets and the  return on equity compare company net income found on the income statement with assets and stockholders' equity found on the balance sheet.

**1.1.2 INTRODUCTION TO SHIVAM CEMENTS**

Shivam cements were founded in the year 2003. It began commercial production from the year 2011 and is the largest manufacturing Greenfield project in Nepal. It is currently producing 3000 TPD cement and 1900 TPD clinker from the company’s self owned limestone quarries. With a broad vision of business, Shivam Cement Private Limited was converted into Public Limited Company in the year 2015 to provide its customers and the stakeholders to be a part of the company. Established with a vision to provide quality OPC cement to the Nepalese market which was sustaining over the imported cement from India, Shivam cements took the initiatives to explore the Nepalese limestone for manufacturing of international quality cement in Nepal and began the journey with manufacturing of Ordinary Portland Cement (OPC) 43 Grade cement in Nepal and subsequently added OPC 53 Grade Cement. The efforts of Shivam Cement have laid foundation of quality production of cement in Nepal and helped in reducing the import from other countries, which is a big boon to the Nepalese economy. In a very short span of production time, it stood as the market leader and was taken as the most potential company and fasting growing company in Nepal.

Shivam Cements Limited Manufacturing Facilities is situated at the industrial hub Hetauda, where rapid infrastructural development has been witnessed over the years. Shivam cement has invested hugely on capitals, human resources, production processes, infrastructures, etc.  Making it one of the largest cement manufacturing plants in Nepal. With access to self- owned superior quality limestone deposits, Shivam cement contains high-grade lime content that gives the utmost strength

VISION

“To be the largest and most respected cement company in Nepal that partners in nation building “

**MISSION**

* To establish itself as leader in the industry providing outstanding value to our customers.
* To provide a safe and stimulating work environment for our employees and community.
* To provide superior returns to the nation as a whole.

**INTEGRATED MANAGEMENT SYSTEM POLICY (QUALITY, ENVIRONMENT & SAFETY POLICY)**

Shivam Cements Limited is committed to provide products and services to our customers with the highest standards of quality that always exceed expectations with a ethical responsibility to reduce environmental footprint due to its products, processes & operations. Our commitment to the continuous improvement of quality, Safety and Environment performance are vital to the sustained success of our organization. Compliance to premium product standards, Safe work practices, and Environmental protection is the foundation of our business and they are achieved by:

* Enhancing customer satisfaction in our products by maintaining consistent product quality.
* Adopting Advance Technology, providing resources and training to promote quality, Safety and Environment friendly culture in the organization.
* Continually improving our products and processes to drive improvement in quality and environmental performance indicators along with safety measures through regular data collection, analysis and review aligned with corporate guidelines.
* Complying with all applicable regulatory requirement including compliance obligations.
* Establish, implement, and maintain a sound integrated management system with set-objectives and targets for continual improvement.
* Make systematic efforts to minimize waste, Air emission, sound pollution and energy consumption.
* Regularly monitor, measure and evaluate quality, safety and Environmental performance through systematic audits to verify compliance with prescribed standards, applicable laws, and codes of practice for continual improvements.
* We expect that all employees of Shivam shall adhere to and comply with the policy.
* Communicating, Implementing and maintaining this policy at all levels at our company.
* This policy shall be reviewed annually for its continued suitability for our business.

# Board of Directors

**Mr. Surendra Kumar Goel**

**Chairman**

Mr. Surendra Kumar Goel is a pioneer in cement industry with more than 27 years of experience in the field having done his B.Sc. in Mechanical Engineering. He is also the Managing Director of H.R. Goel Group, Arvind Emporium & director of various other companies like Asian Life Insurance Ltd., Starlime Industries Pvt Ltd., etc.

**Mr. Rohit Gupta**

**Director**

Mr. Rohit Gupta is also the Managing Director of Teletalk Pvt. Ltd., and has completed M.Sc. in Finance & Management from aboard. He is a young entrepreneur having experience of 9 years in different industries & businesses. Being the chair-person of Confederation of Nepalese Industries - Young Entrepreneur Forum & member of national council - Confederation of Nepalese Industries, he is a new future generation of Nepalese business & industries.

**Mr. Sandeep Kumar Sharda**

**Director**

Mr. Sandeep Kumar Sharda is also the director of Sharda Group Nepal, one of the largest private industrial and trading conglomerates in Nepal, which is involved in wide variety of manufacturing and trading products, ranging from industrial goods to consumer durables and non-durables. Mr. Sharda is handling the management of Sharda group for more than past 25 years and is a pioneer in the field of management and a known figure in the Nepalese corporate.

**Mr. Raghunandan Maru**

**Director**

Mr. Raghunandan Maru is the also the Managing Director of JB Maru Group and a pioneer of mineral industries of Nepal having 25 years of experience in it. He is the director of other various companies like Laxmi Technoplast Pvt. Ltd., Ten Micro Sons Pvt., etc.

*Fig 1.1 Organizational structure of shivam cement*

* 1. **Statement of the Problems**

The marketing and managerial protocols adopted by SCL should aim to get attention of each and every target market and reduce the uncertainties faced by them as fast as possible. It should also be focused on straightforward enough to match the expectations of service consumers. This study is to analyze the efficiency and weakness of SCL in the present context through financial statement analysis of four year period. In doing so this will give answer to the following questions:

* What is the impact on profitability with financial performance?

## 1.3 Objectives of the Study

Objectives of this study are as follows:

* To analyze the impact of financial performance on profitability.
* To evaluate the financial performance of SCL.

## 1.4 Significances of the Study

Significances of this study are as follows:

* It will help the prospective investors to decide whether or not to invest.
* It might be helpful for the management of the shivam cements
* It will be helpful to shareholders, depositors and future researchers as a source of

**1.5 Review of Literature**

Going through previous studies with the purpose of knowing the issue of the research in detail to find out the appropriate methodology is known as literature review. Every study is based on past knowledge. As research is a continuous process the previous works cannot be ignored. This continuity in research is ensured by linking the present study with the past studies as they provide foundation to the present study.

**1.5.1 Conceptual review**

**Financial statement analysis**

Morgan (2001) described “financial statement analysis is an information processing system design to provide data for decision making models, such as the portfolio selection model, bank lending decision models and corporate financial models.”

John (1992) described “financial statement analysis is largely a study of relationship among the various financial factors in a business as disclosed by single set of statements and a study of the trend of these factors as shown in a series of statements.”

Kennedy and Muller (1998) described “the analysis and interpretation of financial statements reveal each and every aspect regarding the well-being financial soundness, operational efficiency and credit worthiness of the concern concerned.”

## Types of Financial Statements

Accountants usually prepare four types of financial statements for each reporting period:

**Income statement:** All of a company's revenues and expenses are reported on the income statement. The reporting period could be for a month, quarter, year or year-to-date. Accountants use Generally Accepted Accounting Principles to record these line items. For most business reporting, the recording of sales and expenses are on the accrual basis. This method of accounting calculates receipts and matches the related costs at the same time. For example, a sale is recorded at the time of the transaction, even if it is sold on credit and the cash is not collected until several months later.

**Balance sheet:** The balance sheet is a listing of a company's assets, liabilities and shareholders' equity at a specific point in time. On this statement, assets equal the sum of the company's debts and its shareholders' equity.

Assets are listed in order of liquidity from cash in banks to accounts receivable and inventory and, finally, to fixed and long-term assets. Liabilities are listed by due date from short-term trade credit and bank notes through long-term mortgages and bonds.

**Statement of cash flow:** This statement represents a company's cash inflows and outflows over a period of time. It is different from the income statement, which records the profit margins of the business. An income statement also contains non-cash entries, such as depreciation on equipment, that affect profits but do not accurately depict cash flow.

The cash flow statement reveals whether the company realized positive or negative cash from its transactions. It records three types of activities: cash flow from operations, cash flow from investments and cash flow from financing activities. This separation of the different kinds of cash flows enables the analyst to determine if a company is generating a positive cash flow from its operations or is borrowing money to pay its bills.

**Statement of changes in stockholders' equity:** This statement connects the profit performance from the income statement with the balance sheet. The statement of shareholders' equity starts with the addition of net income to the equity portion of the balance sheet and subtracts any dividend distributions. The amount left over after paying the dividends is kept in the business and added to the retained earnings account.

The stockholders' equity statement also records any additions or reductions in capital contributions. The proceeds from the issuance of new stock or repurchases of shares are detailed in the equity accounts on the balance sheet.

## Financial Analysis Techniques

**Vertical analysis:** Vertical analysis means looking at a company's financial statements in a single financial reporting period. Typically, all the revenue and expense items on the income statement are reported as percentages of net sales.

**Horizontal analysis:** The comparison of financial data between two periods is horizontal analysis. Revenue and expense accounts are examined to determine the changes from one period to the other. These changes are usually expressed as a percentage.

**Trend analysis:** The comparison of three or more financial reporting periods can start to identify a trend. Management is especially interested in trends. For example, managers like to see sales trending upward and expenses headed down; these favorable movements lead to increased profits.

**Ratio analysis:** The most common method of financial analysis involves the calculation of ratios from the income statement and balance sheet. Financial ratios are used to analyze a company's liquidity, profitability, financial leverage and asset turnover.

Ratios are calculated for a series of reporting periods to identify positive or negative trends over time. A company's ratios can be also be compared to the benchmark ratios reported by other firms in the same industry. The comparison of a company's ratios to industry statistics gives an indication of whether the business is underperforming or overperforming relative to its competitors.

## Tools of Financial Analysis

Ratios are the traditional tools used to analyze financial statements. Ratio analysis examines four aspects of a company's financial condition and performance: profits, liquidity, financial leverage and efficiency.

**Profits**

The ultimate objective of a business is to make a profit. Without profits, a company dies; so profit margins are very important metrics.

**Net profit margin:** The most common measure of profitability is the net profit margin. This is the amount left over after paying all expenses, including overhead, interest and taxes.

The net profit margin is usually expressed as a percentage and is calculated by dividing the amount of profit in dollars by the total sales. This percentage figure can then be tracked to determine positive or negative trends, or compared to similar companies as a gauge of the firm's competitive position in the industry. Net profit margins can range from 1 to 2 percent, like retail grocery stores, to upward of 20 percent for companies such as financial institutions and pharmaceutical manufacturers.

**Gross profit margin:** The gross profit margin measures the production efficiency of a company's products or services. It is calculated by subtracting the direct cost of production from total sales. Direct costs are labor, materials, operating supplies and equipment costs.

Managers track the gross profit percentage to determine the effects of sales price increases or gains in labor productivity and reductions in direct material costs.

**Operating profit margin:** The operating profit margin is another measures of a firm's efficiency of operations. This is a calculation of profit before deductions for interest and taxes, thereby removing the effects of financing costs and tax planning.

**Liquidity**

Profits are essential, but it takes liquidity and cash to pay the bills.

**Current ratio:** One measure of liquidity is the ratio of current assets to current liabilities. Simply divide total current assets by total current liabilities. A comfortable liquidity ratio is 2:1.

**Working capital:** Working capital is found by subtracting current liabilities from current assets. Managers can calculate this number on a monthly basis, and they want to see it always going up.

**Financial Leverage**

While having some debt is good, too much debt is risky.

**Debt-to-equity ratio:** Generally, the cost of equity capital is higher than interest charges on debt. But higher levels of debt put the business at more risk during economic downturns. The debt-to-equity ratio is calculated by dividing a company's total debt, both long- and short-term, by the total equity capital.

**Efficiency**

Management always strives to achieve better returns on its assets. Turnover ratios are a way to measure efficient use of assets.

**Accounts receivable turnover:** This ratio is calculated by dividing total sales by the balances in accounts receivable. It is a measure of the effectiveness of a company's collection procedures and terms of sale. Higher turnover ratios mean merchandise is sold and cash is quickly collected, making it available to finance more sales. Lower turnover ratios could suggest the company is having problems collecting its receivables or that its credit terms are too lenient.

**Inventory turnover:** The inventory turnover ratio measures the number of times inventory is sold and replaced during a year. Higher ratios are better, because it means less money is invested in inventory. Lower turnover ratios could mean products are obsolete and must be sold at lower prices or written off entirely.

1.5.2 Review of previous work

Gombola et al. (1987) discussed the balance sheet represents different assets owned by an enterprise and shows the method in which acquisition at the end of fiscal period but source of them related to those items during the period not clearer, and profit in income statement has not any effect on increase in cash. Moreover, the profitability and financing issues are reported separately on income statements and balance sheet respectively. This causes misleading and confusing result to users.

Sharma, D. S. (2001) reported “a demand for information used for evaluating a firm’s performance arises from measuring and rewarding management.” Additionally, the precipitated business growth causing the complexity of firms, transactions

Jenis Cormier (2012) mentioned “that the finance manager may use the received funds management to voluntary receive funds forecasting.” Put on document of the range of earning management guarantee with Canadian Initial Public Offerings (IPOs) and study the scope to which firms with best corporate control systems are less likely to use achieving funds management to obtain their achieving funds estimates forecasting IPOs prospectus

Aitinen (2006) presents “a framework for the financial statement analysis of a network of small and medium-sized enterprises.” The objective is to make an approach towards a systematic network financial statement analysis. The data for the study are drawn from the public financial statements of the partner firms. The proportion of income statement items and balance sheet items is traced by a simple estimation to the resources used by the network and identified by each firm. Virtual network income statement and balance sheet are made up of the allocated proportions. The paper is focused on eight measurement objects that are causally related to form a strategic map: resources; growth; concentration; productivity; profitability; mutual flows; risk and value; and, several measures for each object are suggested.

Al-Aameri and Alrikabi (2007) was focusing on one of the important techniques in financial analysis, namely, the financial ratios, for the purpose evaluating the performance of petroleum projects company, and to find out the main strength and weakness points, so as to suggest the remedial actions for treatment of negative points and enhance the positive one. The paper’s contains detail study for the data included in financial statements to explain the financial performance of the company, and that will help the management for planning the future according to the previous performance, and also contain the converting process of the data of financial statements to meaningful information through several techniques.

Knapková (2013) in practice, the use of several basic indicators has been proven relevant which can be categorized into groups according to individual areas of management evaluation and the financial health of the company. Mostly these are groups of indicators such as debt, liquidity, profitability, activity, capital market indicators, as well as other indicators.

1.5.3 Research Gap

Research gaps are basically based on the review of the relevant literature. The aim of this section is to find out the research gap between the work done earlier and area in which research is required.

Claim that he has covered entire topics and aspects. There is a scope for further studies. The researcher will explain about theoretical background relating to this subject in next chapter.

## 1.6 Research Methodology

It implies how data will be collected and how they will be analyzed to draw conclusion. This study will use following methods for the purpose of research.

1.6.1 Research Design

Research design is the blue print for the collection, measurement, analysis of data. It consist structure and strategies of research. There are mainly four types of research design: Exploratory, Descriptive, Comparative /Casual and Experimental research design. This study is based on Descriptive research design.

Descriptive research design is a scientific  method which involves observing and describing the behavior of a subject without influencing it in any way. A descriptive research is a process of accumulating facts, views or opinion of the people towards right, capital punishment, college autonomy, an industrial establishment, etc. Some distinct characteristics of descriptive research are:

* **Quantitative research:**Descriptive research is a quantitative research method that attempts to collect quantifiable information to be used for statistical analysis of the population sample. It is an popular [market research](https://www.questionpro.com/blog/what-is-market-research/) tool that allows to collect and describe the nature of the demographic segment.
* **Uncontrolled variables:** In descriptive research, none of the variables are influenced in any way. This uses observational methods to conduct the research. Hence, the nature of the variables or their behavior is not in the hands of the researcher.
* **Cross-sectional studies:** Descriptive research is generally a [cross](https://www.questionpro.com/blog/cross-sectional-study/) section study where different sections belonging to the same group are studied.
* **Basis for further research:** The data collected and analyzed from descriptive research can then be further researched using different research techniques. The data also can help point towards the types of research methods are to be used for the subsequent research.

1.6.2 Population and Sample

The first group of people is a population, which is defined as the complete collection to be studied. The second group is a sample, which is defined as a section of the population. In other words when some of the elements are selected with the intention of finding out something about the population from which they are taken, that group of elements is referred as a sample.

1.6.3 Types of Data

Mainly data are classified as Primary and Secondary data. Data that has been collected by the researcher himself/herself as per the objective of the research is known as Primary data. Likewise, if a researcher uses the data developed by others in the past for their own purpose is known as Secondary data. This study will rely on Secondary data.

1.6.4 Sources of Data

They imply likely places from where necessary data can be collected. There are mainly two sources of data: Primary and Secondary sources of data. A primary source of data is an original data source which consist data collected by researcher himself. Secondary sources of data consist of data already collected. This study will use Secondary data collected through published media, relevant books, reports, websites etc.

1.6.5 Data Collection Strategy

Data collection strategy is the strategy adopted by the researchers to collect the required data. They can be categorized as i) direct-contact data collection strategy (personal interview, focus group, telephone poll, telephone interview, classroom assessment and so on) and ii)indirect data collection strategy (paper survey, pen survey, web survey, database/warehouse, existing reports and so on).

1.6.6 Analysis of Data

This implies various tools and techniques to measure and analyze the collected data for interpretation. This study will use various accounting and statistical tools for the data analysis such as: Operating Cash Flow ratio, Free Cash flow, etc.

1.6.6.1 Statistical Tools

Statistics is a branch of science that deals with

the collection, organisation, analysis of data and

drawing of inferences from the samples to the whole

population

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population

Statistics is a branch of science that deals with the collection, organization, analysis of dada and drawing of inferences from the samples to the whole population. This requires an appropriate selection of the study sample and choice of a suitable statistical test. The various statistical tools used for the purpose of this research are:

**Simple Arithmetic Mean**

Mean (or the arithmetic average) is the sum of all the items divided by the number of items. It is the most commonly used measure of central tendency. The formula of mean is:

Mean () =

Where,

* x̄ just stands for the “sample mean”
* Σ means “add up”
* xi “all of the x-values”
* n means “the number of items in the sample”

**Median**

It is the middlemost or central value of the series when the observations are arranged in ascending or descending order of magnitudes. It is called positional average because the value is determined on the basis of position rather than magnitude. The formula of median is:

Median(Md)=

Where,

* “n” is the number of items in the set and “th” just means the (n)th number.

**Standard Deviation (SD)**

It is an absolute measure of dispersion. It is widely used to measure the variability and diversity in a group of observations. It shows how much variation or dispersion is there from the average. A low SD indicates high degree of uniformity while a high SD indicates low degree of uniformity. The formula of standard deviation is

Standard Deviation =

Where

x = Value of variables

= Mean Value of Variables

n = no of observation

## 1.7 Limitations of the Study

This study is based solely on Cement Industries. Reliability of statistical tools used and lack of research experience are major limitation and some of the other limitations are given below.

* The study covers limited data and facts.
* The study covers only five fiscal years historical data of Sunrise Bank Limited.\

# CHAPTE-II RESULT AND ANALYSIS

This is the most important chapter of the study. All the above mentioned financial and statistical tools are used to present the data. In this chapter, the researcher has analyzed and interpreted relevant and available data of the selected power company according to the research methodology as mentioned in the previous chapter. The analysis of data consists of organizing, tabulating and evaluating the collected data.

## 2.1 Data Presentation & Data Analysis

The main purpose of this research is to analyze the various sectors generating cash and utilization of cash and cash equivalents. For this Financial Statement and its various components are analyzed and a result is gathered with a view to assess the performance of the company during the period of last five fiscal years.

Table 2.1

Net profit analysis (in crores)

|  |
| --- |
| Particulars 72/73 73/74 74/75 75/76 74/75 |
| Sales 345.78 387.32 576.89 736.37 1026.51 |
| Cost of sales 220.21 245.43 373.66 490.70 681.731 |
| Gross profit 125.57 141.91 203.23 245.67 344.77 |
| Expenses 88.25 93.37 105.15 142.01 230.44 |
| Net profit 37.32 41.53 77.78 81.14 114.33 |

Source: appendix 1

Table 2.1 shows the increasing trend of net profits as the net profit of 5 financial periods. The highest net profit is 114.43 in the year 76/77and the lowest is in year 70/71

Figure 2.1

Net profit analysis

Source: appendix 1

In this figure 2.1 it studies about the net profits of financial years from 72/73to 76/77.in this figure the net profits have been in increasing trend.

1.2 Ratio Analysis

Ratio Analysis is a widely used tool for financial analysis. It is defined as the systematic use of ratio to interpret the financial statements so that the strength and weakness of a firm along with its historical performance and current financial condition can be determined.

**Current ratio**

The current ratio is a liquidity ratio that measures a company's ability to pay short-term obligations or those due within one year. It tells investors and analysts how a company can maximize the [current assets](https://www.investopedia.com/terms/c/currentassets.asp) on its balance sheet to satisfy its current debt and other payables.

Current ratio=

|  |
| --- |
| Years CA CL CR |
| 72/73 150 145 1.03 |
| 71/72 162 160 1.0125 |
| 74/75 276 167 1.652 |
| 75/76 305 230 1.32 |
| 76/77 474 402 1.179 |

Table 2.2

Current ratio analysis

Source: appendix 1

In table 2.2 the current assets and current liabilities are increasing but the current ratio is fluctuating but the current ratio is more than one. So it can be said that they are capable of paying their short-term obligations. The average current ratio is 1.24

Current ratio analysis

figure 2.2

In the above figure Current ratio is fluctuating as the highest is in the year 74/75and lowest in the first year the current ratio in this figure is more than one so we can say that it has enough resources to meet its short requirements

**Inventory turnover:** The inventory turnover ratio measures the number of times inventory is sold and replaced during a year. Higher ratios are better, because it means less money is invested in inventory. Lower turnover ratios could mean products are obsolete and must be sold at lower prices or written off entirely

Inventory turnover ratio =

Table 2.3 (in crores)

|  |
| --- |
| Years cost of goods sold average inventory ITR |
| 72/73 220 75 2.93 |
| 71/72 245.41 80.95 3.02 |
| 72/73 373.66 113.977 3.2783 |
| 73/74 490.70 160.411 3.0590 |
| 74/75 681.73 225.94 3.02 |

Source: appendix1

In ths figure 2.3 it studies about the ITR and the it is fluctuating and the average ITR is 3.06 the lowest is in the year 72/73 and the highest in the year 72/73

Inventory turnover ratio analysis figure 2.3

Source: appendix1

In this above figure the Inventory turnover is fluctuating in these four years but they are all more than one and it shows that the inventory is efficient enough to turn into sales in coming years. The liquidity of the inventory is highest in the second year and the lowest in the last year

**2.1.2        Return on Asset (ROA)**

It measures the firm’s return on investment of financial resources. It also helps us to provide the information of proper utilization of the resources. It is the relation between profit and total assets. Lower ROA means lower profit and higher ROA means higher profit.

In the present study, this ratio is examined to measure the profitability of all financial resources in the bank assets.

    Return on Total Assets Ratio =

Table2.4

ROA Analysis

|  |
| --- |
| Year NPAT Assets ROA |
| 7071 37.32 450 0.08 |
| 71/72 41.53 468.1 0.09 |
| 74/75 77.78 615.88 0.13 |
| 75/76 81.14 854.54 0.09 |
| 74/75 114.3 1212.18 0.09 |

Source: *appendix1*

The fig 2.4 studies about the ROA of last five years from 72/73to year 76/77and the figures states that the average ROA is 0.08 .the lowest ROA is in 72/73and the highest was in the year 72/73.

FIGURE 2.4

ROA analysis

Source: *appendix1*

The above figure 2.4 shows that the ROA is in increasing trend from year 72/73and reaches the maximum point in year 74/75and remains constant for 75/76and 74/75

SALES TREND ANALYS

Sales trend analysis is the review of historical [revenue](https://www.accountingtools.com/articles/2017/5/11/revenue) results to detect patterns. Sales trend analysis is a useful budgeting and [financial analysis](https://www.accountingtools.com/articles/what-is-financial-analysis.html) method that can indicate the onset of changes in the near-term revenue growth rates of a business. It is rarely adequate to simply plot the total sales of a business on a [trend line](https://www.accountingtools.com/articles/2018/1/27/trend-line) and expect to obtain any significant information from it.

*Table 2.5*

*Sales trend analysis*

|  |
| --- |
| Year sales |
| 72/73 345.78  73/74 387.32 |
| 74/75 576.89 |
| 75/76 736.37 |
| 76/77 1143.27 |

Source: appendix 1

In the above table it shows that the sales has been increasing as the sale is 387.32 in 73/74,in 74/75it increases up to 576.89,and further increases in year 74/75to 736.3and in the last year it reaches to 1143.27

Fig 2.5

Sales analysis

In the above figure sales is increasing from 73/74from 387.32 to 736.37 in the year 75/76and decreases slightly in year 76/77to 710.94 so the sales is increasing trend for first three years and it shows the growth of business is increasing

**2.2 Presentation of primary data**

Primary data is data that is collected by a researcher from first-hand sources, using methods like surveys, interviews, or experiments. It is collected with the research project in mind, directly from primary sources. A total of 30 questionnaires were distributed among employees, investor, and general public the questionnaire has different types of questions to evaluate financial performance of the shivam cement

Table 2.6 Response rate of questionnaire

|  |
| --- |
| s.no types of respondent distributed returned no of response response rate |
| 1 employees 5 4 1 90 |
| 2 general public 15 11 4 73.33 |
| 3 investors 10 9 1 90 |

Out of the total 30 questionnaires, 5 were distributed to employees, 15 to general public and 10 to investors.

Fig2.6: Response of questionnaire

From the above graph it studies about primary data and the no of people which are taken for studies are 30 and no of employees taken is 5 and no of general public are 15 and no of investors taken are 10.x axis shows the types of respondent and y axis shows the no of people

Table 2.7: responses to questionnaire

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| S no |  | Option 1 yes | Option 2 no | Option 3 don’t know |
| 1 | Do you know the financial position of SCL? | 20 | 4 | - |
| 2 | Are there any difficulties in SCL’s operation | 5 | 15 | 4 |
| 3 | Does the financial statement show the better position? | 16 | 6 | 2 |
| 4 | Do you feel it is a better investment opportunity? | 10 | 7 | 7 |
| 5 | Do you feel the SCL is better than other companies? | 15 | 5 | 4 |
| 6 | Are you satisfied with the profitability position? | 16 | 4 | 4 |
|  | | | | | |
|  | | | | | |

Source: questionnaire survey

As shown in above figure in question 1, 20 people knew about the financial position of shivam cement where four of them didn’t know about it. In question 2 the difficulties were checked and the data’s showed that there were not many difficulties as 15 of them thought of it. In quest 3 the financial position is checked and 16 of them feels that the financial position is in good position whereas6 of them feels opposite and 2 of them don’t know about it. In question four, we checked about the investment opportunity and ten of them thought of it as a better investment whereas 7 of them don’t think it as a better investment and rest of 7 doesn’t know about it. The fourth and fifth questions had similar reactions.

Fig 2.8

Evaluation of primary data

Source: appendix 1

The above graph shows the evaluation of different question which helps to analyze primary data. The x axis shows the questions and Y axis shows the no respondents in the study

# 2.3 Major finding

* The main findings of the study are derived on the analysis of financial and statistical data of shivam cement. The findings are based on following ways
* The net profit is in increasing trend as the net profit is 41.53 in 1st year and increases up to 77.78 in second year and increases up to 114.33 in the last year which shows that the company is in good state .
* The current ratio is fluctuating but the average current ratio is 1.29 which is lower than the standard current ratio but the current assets are more than enough to pay short term obligation but to match with standard current ratio of 2 they might increase current ratio or decrease current liabilities
* The average inventory turnover is 2.85 and Inventory turnover is fluctuating in these four years but they are all more than one and it shows that the inventory is efficient enough to turn into sales in coming years. The liquidity of the inventory is highest in the second year and the lowest in the last year
* ROA tells you what the company can do with what it has, *i.e.* how many dollars of earnings they derive from each dollar of assets they control. It's a useful number for comparing competing companies in the same industry. ROAs over 5% are generally considered good. The average ROA is 11 which is greater than 5 which shows the companies are in a good condition
* Sales trend analysis is the review of historical [revenue](https://www.accountingtools.com/articles/2017/5/11/revenue) results to detect patterns. Sales trend analysis is a useful budgeting and analysis. the sales has been increasing as it reaches from 387.32 to 1026.50 in 4 years gap which shows the better condition of the company

# CHAPTER: III SUMMARY AND CONCLUSION

This chapter highlights some selected summary and conclusions on the basis of the major findings of the study derived from the study. The study has covered 4 years data from FY2071./72 to 2073/74. The overall findings are discussed and summary and conclusions are given below.

## 3.1 Summary

Cash flow statement is a financial statement that summarizes the amount of cash and cash equivalents entering and leaving a company. It is a mandatory part of financial statement.

The main objective of this study is to make an analysis of financial statement of Shivam cement. However due to time constraints it has been taken as a sample to represent the cement companies in Nepal and only secondary source of data has been used to complete this study. To achieve the objectives set out, different financial tools like, current ratio ,inventory turnover ratio, return on assets and trend analysis of sales.

In the first chapter, the background and the subject matter of the study consisting the statement of problems, significance and limitations of the study, the relevant review of literature has been made in terms of theoretical background of the financial statement has been dealt. This chapter also deals with the research methodology that has been used to evaluate the financial statement of the company. In the second chapter, the data and information are presented, analyzed and interpreted with the help of financial and statistical tools. Finally the third and last chapter consists of the summary and conclusion of the entire study.

## 3.2 Conclusion

In conclusion, financial analysis determines a company’s health and stability, providing an understanding of how the company conducts its business. The profit of the company is in increasing trend which shows that the company is in good state as the profit has been increased from 41.53 crores ton 93.67 crores in the next four years. Looking at the current ratio, inventory turnover ratio, eps analysis we can say that the company is in a healthy state.

Descriptive and analytical research designs have been presented to analyze the financial position of shivam cements limited. This study is based on secondary data obtain from various sources such as annual general meeting of shivam cements limited from the year 73/74to 76/77,brochure, booklets, books and publications etc. Beside this, relevant data are interpreted through various financial and statistical tools such as financial ratio analysis, trend analysis

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**APPENDIX 1**

Questions for primary data

Do you know the financial position of SCL?

* 1. Yes
  2. No
  3. Don’t know

Are there any difficulties in SCL’s operation

1. yes
2. no
3. don’t know

Does the financial statement show the better position?

1. Yes
2. No
3. Don’t know

Do you feel it is a better investment opportunity?

1. Yes
2. No
3. Don’t know

Do you feel the SCL is better than other companies?

1. Yes
2. No
3. Don’t know