KARPAGAM ACADEMY OF HIGHER EDUCATION
(Deemed to be University)
(Established under section 3 of UGC Act 1956)
Coimbatore-641021
Department of Management (UG)

Name :N.Sathiyendran **Department : Management**
Course Code :18PAU413A **Semester: IV Year : 2018-21 Batch**
Course :Practical - Financial Analysis and ReportingLESSON PLAN

LIST OF PRACTICAL			
SI.No	**Lecture Hours**	**Contents**	**References**
1	3	To select a Company Reason for selecting the company as investor Download the financial statements Perform the following financial analysis and interpret	T: Pg.No.: 10-20
2	2	Common-Size Analysis (Vertical and Horizontal), Year-to-Year Change Analysis	R1: Pg.No.: 13-14
3	3	Ratio Analysis - Liquidity of Short-Term Assets Current Assets, Current Liabilities, and the Operating Cycle Cash - Marketable Securities - Receivables - Inventories - Prepayments - Other Current Assets -Current Liabilities Current Assets Compared with Current Liabilities Working Capital - Current Ratio - Acid-Test Ratio (Quick Ratio) -Cash Ratio	R1: Pg.No.: 20-25
4	2	Debt-Paying Ability- Times Interest Earned	R1: Pg.No.: 25-31
5	2	Debt Ratio - Debt/Equity Ratio	R2: Pg.No.: 31-38
6	2	Net Profit Margin - Total Asset Turnover - Return on Assets Operating Income Margin - Operating Asset Turnover	T: Pg.No.: 21-32
7	2	Return on Operating Assets - Sales to Fixed Assets - Return on Investment (ROI) - Return on Total Equity - Return on Common Equity - Gross Profit Margin	T: Pg.No.: 32-42
8	2	DuPont Return on Assets - Interpretation Through DuPont Analysis - Variation in Computation of DuPont Ratios Considering Only Operating Accounts	R1: Pg.No.: 40-52
9	2	For the Investors :Earnings per Common Share, Price/Earnings Ratio, Dividend Payout,- Book Value per Share	W1
Total number of hours planned for Practical –Financial Analysis and Reporting			

SUGGESTED READINGS:

T1: M.S Narasimhan (2016), Financial Statement Analysis, 1st Edition, Cengage Learning IndiaPrivate Limited, New Delhi.

R1: Deepa Agarwal (2017), Financial Reporting and Auditors Responsibility, 2nd edition,Bloomsbury Professional India, New Delhi.

W1: www.invest.org.in

OUTPUT - I

SELECT A COMPANY AS AN INVESTOR TO ANALYSE

FINACIAL PERFORMANCE AND INVEST

(₹ in Lakhs)

WORKING RESULTS	31.3.2018	31.3.2017
No. of days worked	356	357
Sales	23,668.46	22,722.73
Other income	686.47	773.49
GROSS REVENUE	**24,354.93**	**23,496.22**
Profit before Tax and Exceptional Items	495.80	460.61
Less : Exceptional items	222.80	17.65
Profit before Taxation	**273.00**	**442.96**
Tax Expense	130.71	336.39
Profit after Taxation	142.29	106.57
Other Comprehensive Income	13,305.35	4,729.11
Total Comprehensive Income	**13,447.64**	**4,835.68**

Transition to Indian Accounting Standards

THE LAKSHMI MILLS COMPANY LIMITED

Balance Sheet as at 31st March, 2018

(₹ in Lakhs)

Particulars	Note No	31.03.2018	31.03.2017	01.04.2016
ASSETS				
1 Non-current assets				
(a) Property, plant and equipment	4	16,052.81	15,267.90	14,964.51
(b) Capital work-in-progress		—	7.76	—
(c) Intangible assets	4	7.07	10.63	7.84
(d) Financial assets				
(i) Investments	5	36,252.11	22,312.96	17,589.96
(ii) Other financial assets	6	266.87	240.59	207.14
(e) Deferred tax assets (net)	25	1,711.63	2,298.64	2,571.24
(f) Other non-current assets	7	136.66	98.09	70.55
Total non - current assets		54,427.15	40,236.57	35,411.24
2 Current assets				
(a) Inventories	8	3,153.11	3,660.66	3,634.45
(b) Financial assets				
(i) Trade receivables	9	3,373.52	1,986.69	1,564.01
(ii) Cash and cash equivalents	10	136.43	33.70	39.53
(iii) Bank balances	10	265.57	210.77	78.08
(iv) Other financial assets	6	23.60	22.43	12.45
(c) Current tax assets (net)		—	—	21.87
(d) Other current assets	7	203.98	252.33	332.93
Total Current Assets		7,156.21	6,166.58	5,683.32
Total Assets		61,583.36	46,403.15	41,094.56
EQUITY AND LIABILITIES				
Equity				
(a) Equity share capital	11	695.55	695.55	695.55
(b) Other equity	12	48,437.11	35,064.81	30,304.47
Total Equity		49,132.66	35,760.36	31,000.02
LIABILITIES				
1 Non-current liabilities				
(a) Financial liabilities				
(i) Borrowings	13	2,467.92	1,490.69	1,483.00
(ii) Other financial liabilities	16	79.34	69.84	61.48
(b) Provisions	14	295.39	345.87	357.32
(c) Other liabilities	17	243.94	229.93	220.43
Total Non - Current Liabilities		3,086.59	2,136.33	2,122.23

(₹ in Lakhs)

Particulars	Note No	31.03.2018	31.03.2017	01.04.2016
2 Current liabilities				
(a) Financial liabilities				
(i) Borrowings	13	4,346.24	4,316.81	4,180.36
(ii) Trade payables	15	2,917.37	2,395.62	2,197.30
(iii) Other financial liabilities	16	1,603.96	1,175.36	1,117.73
(b) Provisions	14	68.96	87.98	65.39
(c) Other liabilities	17	424.23	489.91	411.53
(d) Current tax liabilities (net)		3.35	40.78	—
Total current liabilities		9,364.11	8,506.46	7,972.31
Total Liabilities		12,450.70	10,642.79	10,094.54
Total Equity and Liabilities		61,583.36	46,403.15	41,094.56

See accompanying notes to the financial statements 1-34

For and on behalf of the Board

S. Pathy
Chairman & Managing Director
DIN: 00013899

R. Santharam
Vice Chairman
DIN: 00151333

Coimbatore
18th May 2018

N. Singaravel
Company Secretary

V. Kannappan
Chief Financial Officer

In terms of our report of even date
For M.S.Jagannathan & Visvanathan
Firm Registration No. 001209S
Chartered Accountants

M.V.Jeganathan
Partner
Membership No. 214178

THE LAKSHMI MILLS COMPANY LIMITED

Statement of Profit and Loss for the year ended 31st March, 2018

(₹ in Lakhs)

	Particulars	Note No	31.03.2018	31.03.2017
I	**INCOMES**			
	Revenue from operations	18	23,668.46	22,722.73
	Other income	19	686.47	773.49
	Total income		24,354.93	23,496.22
II	**EXPENSES**			
	Cost of materials consumed	20.a	11,003.64	10,956.60
	Purchases of Stock-in-trade	20.b	1,726.65	1,780.44
	Changes in stock of finished goods, work-in-progress and stock-in-trade	20.c	904.43	165.82
	Employee benefit expense	21	3,427.59	3,391.38
	Finance costs	22	865.05	829.20
	Depreciation and amortisation expense	4	907.55	694.33
	Power and Fuel charges		2,717.92	2,821.95
	Other expenses	23	2,306.30	2,395.89
	Total Expenses		23,859.13	23,035.61
	Profit before exceptional item and tax		495.80	460.61
III	Exceptional item	24	222.80	17.65
	Profit before tax after exceptional item		273.00	442.96
IV	Tax expense	25		
	Current tax		27.48	63.11
	Less: MAT credit		(27.40)	(61.24)
	Tax relating to earlier years		3.23	3.92
	Deferred tax		127.40	330.60
	Total tax		130.71	336.39
	Profit for the year		142.29	106.57
V	Other comprehensive income			
	(i) Items that will not be reclassified to the statement of profit or loss			
	(a) Remeasurement of employee defined benefit plans		(146.79)	9.35
	(b) Fairvalue of quoted investments		13,939.15	4,723.00
	(c) Income tax on (a & b) above		(487.01)	(3.24)
	Total Other comprehensive income		13,305.35	4,729.11
	Total comprehensive income for the year		13,447.64	4,835.68
VI	Earnings per equity share of ₹ 10/-			
	Basic (in Rs.)	27	20.46	15.32
	Diluted (in Rs.)	27	20.46	15.32
	See accompanying notes to the financial statements	1-34		

For and on behalf of the Board

In terms of our report of even date

OUTPUT - II

COMMON-SIZE ANALYSIS (VERTICAL AND HORIZONTAL)
YEAR-TO-YEAR CHANGE ANALYSIS

Common-Size Balance Sheet of Lakshmi Mills Ltd., as on 31st March 2016 and 2017

PARTICULARS	ABSOLUTE AMOUNT (Rs. In lakhs)		PERCENTAGE ON TOTAL OF BALANCE SHEET	
	2016 (Rs.)	2017 (Rs.)	2016 (Rs.)	2017 (Rs.)
I Equity and Liability				
1. Shareholders Fund				
a. Share Capital	18,000	18,000	45	40
b. Reserves and Surplus	4,000	5,400	10	12
2. Non Current Liabilities	14,000	14,400	35	32
3. Current Liabilities	4,000	7,200	10	16
TOTAL	**40,000**	**45,000**	**100**	**100**
II Asset				
1. Non-Current Assets				
a. Fixed Asset	28,000	30,600	70	68
b. Non-current investment	4,000	4,000	10	8.89
2. Current Assets	8,000	10,400	20	23.11
TOTAL	**40,000**	**45,000**	**100**	**100**

Common-Size Profit and Loss of Lakshmi Mills Ltd., as on 31st March 2016 and 2017

PARTICULARS	ABSOLUTE AMOUNT (Rs. In lakhs)		PERCENTAGE ON TOTAL OF BALANCE SHEET	
	2016 (Rs.)	2017 (Rs.)	2016 (Rs.)	2017 (Rs.)
I Revenue from Operation	40,000	50,000	100	100
II Other Income	2,000	3,000	5	6
III Total Income (I +II)	**42,000**	**53,000**	**105**	**106**
IV Expenses:				
a. Cost of Revenue from Operations	30,000	35,000	75	70
b. Other Expenses	2,500	3,000	6.25	6
Total Expenses	**32,500**	**38,000**	**81.25**	**76**
V Profit before Tax (III- IV)	9,500	15,000	23.75	30
VI Tax	4,750	7,500	11.875	15
VII Profit After Tax (V- VI)	4,750	7,500	11.875	15

OUTPUT - III

RATIO ANALYSIS (SHORT TERM SOLVENCY)

Liquidity Ratio (Short term solvency) ratios:

1. **Current ratio =** $\dfrac{\textbf{Current Assets}}{\textbf{Current Liabilities}}$

A Current Ratio of 2:1 is considered ideal. That is for every one ruppe of current liability there must be current assets of Rs. 2. If the ratio is less than two, it may be difficult for a firm to pay current liabilities. If the ratio is more than two, it is an indicator of idle funds.

2. **Quick ratio =** $\dfrac{\textbf{Quick Assets}}{\textbf{Quick Liabilities}}$

A Quick ratio of 1:1 is considered satisfactory. The quick ratio supplements current ratio.

OUTPUT – IV

RATIO ANALYSIS (LONG TERM SOLVENCY)

Long Term Solvency Ratio:

1. **Debt equity ratio =** $\dfrac{\textbf{Debt}}{\textbf{Equity}}$ **(or)** $\dfrac{\textbf{Outsiders funds}}{\textbf{Shareholders funds}}$

A debt equity ratio of 1:1 is considered desirable satisfactory. It Indicates the availability of assets to long term creditors at the time of liquidation.

2. **Proprietory ratio =** $\dfrac{\textbf{Shareholders funds}}{\textbf{Total tangible assets}}$

Proprietory ratio indicates the proportion of shareholders funds in the total assets. A high proporietory ratio indicates less danger and risk to creditors in the event of winding up.

OUTPUT – V

RATIO ANALYSIS (ACTIVITY Or TURNOVER RATIO)

Turnover Ratio:

1. **Inventory Turnover ratio** $= \dfrac{\textbf{Cost of goods sold}}{\textbf{Average Stock}}$

   This ratio indicates the number of times stck is turned over during a year. A high ratio indicates qick movement of stock and vice versa.

2. **Debtors turnover ratio** $= \dfrac{\textbf{Debtors + Bills Receivable}}{\textbf{Credit Sales}}$ **X No. of working days**

   This ratio indicates the speed with which debtors/accounts reveivable are collected. It shows the number of days taken to collect money form debtors. A lower ratio implies quick recovery of money from debtors.

3. **Creditors turnover ratio** $= \dfrac{\textbf{Creditors + Bills Payable}}{\textbf{Credit Purchase}}$ **X No. of working days in a year**

   The creditors turnover ratio indicates the number of days taken by the firm to pay its creditors. Generally, lower the ratio the better is the liquidity position of the firm.

4. **Fixed assets turnover ratio** $= \dfrac{\textbf{Sales}}{\textbf{Net Fixed Assets}}$

   This ratio indicates the sales generated by every rupee invested in fixed assets. A high ratio is an indicator of greater efficiency in the utilization of fixed assets.

BCOM (PA) **2018-2019**

18PAU413A **FINANCIAL ANALYSIS AND REPORTING (PRACTICAL)** **Semester – IV** **2H – 1C**

Instruction Hours / week: L: 0 T:0 P :2 **Marks: Internal: 40 External: 60 Total: 100**

End Semester Exam: 3 Hours

COURSE OBJECTIVES:
To make the students

1. To Understand the Concept of Financial reporting standards, difference between IFRS and IAS and the elements and users of the financial statements for the decision making.
2. To understand and apply tools and techniques to analyse the financial statement analysis.
3. To critically evaluate the results of the tools applied, interpret the result.
4. To communicate orally and in written form the financial statement analysis, and results interpretation of the results.
5. To utilize the knowledge of financial statement analysis for lifelong.

COURSE OUTCOMES:

Learners should be able to

1. ComprehendtheConcept of Financial reporting standards, difference between IFRS and IAS and the elements and users of the financial statements for the decision making.
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1. To select a Company – Reason for selecting the company as investor

   Download the financial statements
   Perform the following financial analysis and interpret
2. Common-Size Analysis (Vertical and Horizontal), Year-to-Year Change Analysis
3. Ratio Analysis - Liquidity of Short-Term Assets
   Current Assets, Current Liabilities, and the Operating Cycle
   Cash - Marketable Securities - Receivables - Inventories - Prepayments - Other Current Assets - Current Liabilities
   Current Assets Compared with Current Liabilities
   Working Capital - Current Ratio - Acid-Test Ratio (Quick Ratio) -Cash Ratio
4. Debt-Paying Ability- Times Interest Earned
5. Debt Ratio - Debt/Equity Ratio
6. Net Profit Margin - Total Asset Turnover - Return on Assets – Operating Income Margin - Operating Asset Turnover
7. Return on Operating Assets - Sales to Fixed Assets - Return on Investment (ROI) - Return on Total Equity - Return on Common Equity - Gross Profit Margin

8. DuPont Return on Assets - Interpretation Through DuPont Analysis - Variation in Computation of DuPont Ratios Considering Only Operating Accounts
9. For the Investors :Earnings per Common Share, Price/Earnings Ratio, Dividend Payout,- Book Value per Share

SUGGESTED READINGS

1. Subramanyam, K. R. and John, J.W.(2014), “Financial Statement Analysis”, 10th Edition, Tata McGraw Hill, New Delhi.
2. Stephen H. Penman (2014) “Financial Statement Analysis and Security Valuation”, 4th Edition, Tata McGraw Hill, New Delhi.
3. M.S Narasimhan (2016), Financial Statement Analysis, 1st Edition, Cengage Learning India Private Limited, New Delhi.
4. Charles H. Gibson (2013), Financial Statement Analysis, 13th edition, Cengage Learning India Private Limited, New Delhi.
5. Lawrence Revsine , Daniel Collins , Bruce Johnson , Fred Mittelstaedt , Leonard Soffer (2015), Financial Reporting and Analysis, 6th Edition, McGraw-Hill Education, New Delhi.
6. Deepa Agarwal (2017), Financial Reporting and Auditors Responsibility, 2nd edition, Bloomsbury Professional India, New Delhi.
7. Deepa Agarwal (2018), The Law & Practice of Financial Reporting and Auditor’s Responsibilities under Companies Act, 2013,1st edition, Bloomsbury Professional India, New Delhi.

BCOM (PA)		2018-2019	
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