

Financial Accounting Project

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Information and Assumptions:

1. Name of the concern: "Guru Wooden Toys"
2. Type of business: Sole proprietorship
3. Nature of business: Wooden toys
4. Raw Materials: Wooden logs (hereafter referred as logs)
5. Date of starting the business: 26-12-1990
6. The 3 accounting periods:
 - a. Period 1 – 26-12-1990 to 31-03-1991
 - b. Period 2 – 01-04-1991 to 31-03-1992
 - c. Period 3 – 01-04-1992 to 31-03-1993
7. Since the first accounting period involves only 3 months of business, analysis of common size numbers, index numbers and financial ratios are mainly focussed on accounting period 2, FY 1991-92 and accounting period 3, FY 1992-93. This is done for better interpretation of the figures.
8. Cash flow statement analysis is done for all the 3 accounting periods.
9. Each table presented in this report is supported by calculations in Excel files attached at the corresponding sections.
10. To include more transactions related to sales and purchases and for better presentation, monthly SGA expenses are accumulated and are presented as a single transaction for each accounting period.
11. The split-up of the accumulated monthly SGA expenses are given below:

Accumulated Monthly Expenses			
Particulars	FY 1990-91	FY 1991-92	FY 1992-93
Factory Rent Expenses	9	36	36
Manufacturing Wages	15	60	60
Office Salary	5	60	60
Office Expenses	0.5325	2.13	2.13
Travelling Expenses	1.4075	5.63	5.63
Selling Expenses	1.795	7.18	7.18
Rent and Rates	3.25	13	13
Total SGA Expenses	35.985	183.94	183.94

12. Similarly, the interest expenses are accumulated for the financial period and shown as a single transaction.
13. Rate of depreciation for plant and machinery is 10% per year, straight line method.
14. Rate of depreciation for office equipment and machinery is 12.5% per year, straight line method.
15. Since the business is sole proprietorship, we have the following conditions:
 - a. The tax expenses for the concern is 0, since the tax is paid as part of the owner's individual tax payment.
 - b. No dividend is distributed
16. Each purchase transaction is done on 20% cash basis and 80% credit basis.
17. Each sale transaction is done on 20% cash basis and 80% credit basis.

Part 1:**List of Transactions:**

Year	Date	Transaction
FY 1990-91	26-12-1990	Start of manufacturing concern with 330,000 INR
	01-01-1991	Loan of 360,000 INR
	01-01-1991	Purchase of Plant Property and Equipment worth 260,000 INR
	01-01-1991	Purchase of Furniture worth 40,000 INR Office Equipment worth 25,000 INR
	01-01-1991	Advance to supplier for 110,000 INR
	25-01-1991	Purchase of 42 logs at 100 INR per log, worth 42,000 INR
	12-02-1991	Sale of 580 toys (worth 10,000 INR inventory) at 42 INR per toy for 23,200 INR
	19-02-1991	Sale of 870 toys (worth 15,000 INR inventory) at 42 INR per toy for 34,800 INR
	26-02-1991	Purchase of 28 logs at 100 INR per log, worth 28,000 INR
	26-02-1991	Sale of 1450 toys (worth 25,000 INR inventory) at 42 INR per toy for 58,000 INR
	01-03-1991	Investment of 150,000 INR (with 1 month remaining in the period)
	1-1-1991 to 31-3-1991	Cash received for Trade Receivables worth 64,800 INR over the period
	1-1-1991 to 31-3-1991	Payment of 35,985 INR for SGA expenses for the year
	1-1-1991 to 31-3-1991	Total payment of 50,000 INR for Trade Payables over the period
	1-1-1991 to 31-3-1991	Depreciation expenses of 6,500 INR for PPE
	1-1-1991 to 31-3-1991	Depreciation expenses of 2,031.25 INR for Office Expenses
	1-1-1991 to 31-3-1991	Payment of 9,000 INR for interest expenses
31-03-1991	Interest income (for 1 month) of 750 INR from investments	
FY 1991-92	14-05-1991	Purchase of 600 logs at 105 INR per log, worth 63,000 INR
	27-05-1991	Sale of 800 toys (worth 20,062.7 INR inventory) at 42 INR per toy for 33,600 INR
	08-06-1991	Sale of 600 toys (worth 15047.02 INR inventory) at 42 INR per toy for 25,200 INR
	12-08-1991	Purchase of 900 logs at 105 INR per log, worth 94,500 INR
	19-08-1991	Sale of 1200 toys (worth 30,094.04 INR inventory) at 42 INR per toy for 50,400 INR

Year	Date	Transaction
FY 1991-92	24-08-1991	Sale of 1600 toys (worth 40,125.39 INR inventory) at 42 INR per toy for 67,200 INR
	20-11-1991	Purchase of 665 logs at 110.25 INR per log, worth 73,316.25 INR
	08-12-1991	Sale of 3300 toys (worth 82,758.62 INR inventory) at 42 INR per toy for 138,600 INR
	02-01-1992	Sale of 3000 toys (worth 75,235.13 INR inventory) at 42 INR per toy for 126,000 INR
	30-01-1992	Sale of 1260 toys (worth 31,598.75 INR inventory) at 42 INR per toy for 52,920 INR
	12-02-1991	Purchase of 285 logs at 110.25 INR per log, worth 31,421.25 INR
	16-03-1992	Sale of 1000 toys (worth 25,078.37 INR inventory) at 42 INR per toy for 42,000 INR
	1-4-1991 to 31-3-1992	Cash received for Trade Receivables worth 342,225 INR over the period
	1-4-1991 to 31-3-1992	Total payment of 182,190 INR for Trade Payables over the period
	1-4-1991 to 31-3-1992	Payment of 183,940 INR for SGA expenses for the year
	31-03-1992	Interest income of 9,000 INR from investments
	31-03-1992	Payment of 36,000 INR for interest expenses
	1-4-1991 to 31-3-1992	Depreciation expenses of 26,000 INR for PPE
	1-4-1991 to 31-3-1992	Depreciation expenses of 8,125 INR for Office Expenses
	31-03-1992	Return of advance 20,000 INR by supplier
FY 1992-93	01-04-1992	Removal of investments worth 150,000 INR
	01-04-1992	Purchase of Plant Property and Equipment worth 140,000 INR
	06-05-1992	Purchase of 1050 logs at 115.8 INR per log, worth 121,590 INR
	23-05-1992	Sale of 800 toys (worth 16,186.95 INR inventory) at 44.1 INR per toy for 35,280 INR
	14-07-1992	Sale of 900 toys (worth 18,210.32 INR inventory) at 44.1 INR per toy for 39,690 INR
	10-08-1992	Purchase of 450 logs at 115.8 INR per log, worth 52,110 INR
	02-09-1992	Sale of 1100 toys (worth 22,257.05 INR inventory) at 44.1 INR per toy for 48,510 INR
	17-10-1992	Sale of 1300 toys (worth 26,303.79 INR inventory) at 44.1 INR per toy for 57,330 INR
	25-11-1992	Purchase of 600 logs at 121.6 INR per log, worth 72,960 INR
	21-01-1993	Sale of 3000 toys (worth 60,701.05 INR inventory) at 44.1 INR per toy for 132,300 INR

Year	Date	Transaction
FY 1992-93	18-02-1993	Sale of 4500 toys (worth 91,051.58 INR inventory) at 44.1 INR per toy for 198,450 INR
	02-03-1993	Purchase of 400 logs at 121.6 INR per log, worth 48,640 INR
	10-03-1993	Sale of 1500 toys (worth 30,350.53 INR inventory) at 44.1 INR per toy for 66,150 INR
	27-03-1993	Sale of 936 toys (worth 18,938.73 INR inventory) at 44.1 INR per toy for 41,277.6 INR
	1-4-1992 to 31-3-1993	Cash received for Trade Receivables worth 380,671.4 INR over the period
	1-4-1992 to 31-3-1993	Total payment of 238,390.4 INR for Trade Payables over the period
	1-4-1992 to 31-3-1993	Payment of 183,940 INR for SGA expenses for the year
	31-03-1993	Payment of 36,000 INR for interest expenses
	1-4-1992 to 31-3-1993	Depreciation expenses of 40,000 INR for PPE
	1-4-1992 to 31-3-1993	Depreciation expenses of 8,125 INR for Office Expenses

The list of transactions is available in the excel file below:



3YearsTransactions.xlsx

The transaction-wise derivation of the Balance Sheet and Profit and Loss Statement is available in the excel file below (the table with derivations is not pasted here due to page width constraint).



DerivationOfBalanceSheetIncomeStatement

Balance Sheet:

The balance sheet for the concern is available in the attached excel file and the below table.



BalanceSheet.xlsx

Particulars	Balance Sheet As On		
	As at 31 March, 1993	As at 31 March, 1992	As at 31 March, 1991
	(INR in thousands)		
EQUITY AND LIABILITIES			
Net Worth			
(a) capital	330.00000	330.00000	330.000
(b) Reserves and surplus	129.01135	62.08875	13.233
Total Net Worth	459.011	392.089	343.233
Non-current liabilities			
(a) Long Term Borrowings	360.000	360.000	360.000
(b) Other Long Term Borrowings	-	-	-
Total Non-current liabilities	360.000	360.000	360.000
Current liabilities			
(a) Trade payables	31.450	33.600	6.000
(b) Other current liabilities	-	-	-
Total Current liabilities	31.450	33.600	6.000
Total Liabilities and Net Worth	850.461	785.688	709.233
ASSETS			
Non-current assets			
(a) Fixed assets			
(i) Tangible assets			
-Plant & Machinery	327.500	227.500	253.500
-Furniture & Fittings	28.750	33.750	38.750
-Office Equipment	17.968	21.093	24.218
(b) Non-current investments	-	150.000	150.000
(c) Other non-current assets			
Advances to Suppliers	90.000	90.000	110.000
Total Non-current assets	464.218	522.343	576.468
Current assets			
(a) Inventories	51.538	40.238	20.000
(b) Trade receivables	229.030	114.511	28.000
(c) Cash and cash equivalents	105.675	108.597	84.765
(d) Short-term loans and advances	-	-	-
(e) Other current assets	-	-	-
Total Current assets	386.242	263.345	132.765
Total Assets	850.461	785.688	709.233

Income Statement

The income statement for the concern is available in the attached excel file and the below table.



IncomeStatement.xlsx

Particulars	Income Statement For The Period Ended		
	As at 31 March, 1993	As at 31 March, 1992	As at 31 March, 1991
	(INR in thousands)		
Revenue			
Revenue from operations	618.9876	535.9200	116.0000
Other Income	-	9.0000	0.7500
Total Revenue	618.9876	544.9200	116.7500
Cost of Goods Sold			
Inventory			
Opening Stock of Inventory	40.2375	20.0000	-
Add: Purchases	295.3000	262.2375	70.0000
Less: Closing Stock of Inventory	51.5375	40.2375	20.0000
Total Inventory	284.0000	242.0000	50.0000
Manufacturing Expenses			
Factory Rent	36.0000	36.0000	9.0000
Manufacturing Wages	60.0000	60.0000	15.0000
Total Manufacturing Expenses	96.0000	96.0000	24.0000
Total Cost of Goods Sold	380.0000	338.0000	74.0000
Gross Profit	238.9876	206.9200	42.7500
SGA Expenses			
Salary to Office Staff	60	60	5.0000
Office Expenses	2.13	2.13	0.5325
Travelling Expenses	5.63	5.63	1.4075
Selling Expenses	7.18	7.18	1.7950
Office Rent & Rates	13	13	3.2500
Total SGA Expenses	87.9400	87.9400	11.9850
Earnings Before Interest Tax Depreciation	151.0476	118.9800	30.7650
Depreciation and amortization expense	48.1250	34.1250	8.5313
Operating Profit	102.9226	84.8550	22.2338
Interest Expenses	36.0000	36.0000	9.0000
Net Profit	66.9226	48.8550	13.2338

Cash Flow Statement:

The cash flow statement for the concern is available in the attached excel file and the below table.



CashFlowStatement.xlsx
sx

Particulars	FY 1992-93	FY 1991-92	FY 1990-91
Cash flows from operating activities			
Cash receipts from customers	504.4685	449.4090	88.0000
Cash paid to suppliers	(297.4499)	(234.6376)	(64.0000)
Cash paid to employees	(120.0000)	(120.0000)	(20.0000)
Cash Expenses	(63.9400)	(63.9400)	(15.9850)
Cash generated from operations	23.0786	30.8315	(11.9850)
Interest paid	(36.0000)	(36.0000)	-
Net cash from operating activities	(12.9214)	(5.1685)	(20.9850)
Cash flows from investing activities			
Purchase of property, plant and equipment	(140.0000)	-	(325.0000)
Advance to Suppliers	-	20.0000	(110.0000)
Acquisition of investments	150.0000	-	(150.0000)
Investment income		9.0000	0.7500
Net cash used in investing activities	10.0000	29.0000	(584.2500)
Cash flows from financing activities			
Proceeds from issue of share capital	-	-	330.0000
Proceeds from long-term borrowings	-	-	360.0000
Net cash used in financing activities	-	-	690.0000
Net increase in cash and cash equivalents	(2.9214)	23.8315	84.7650
Cash & cash equivalents at beginning of period	108.5965	84.7650	-
Cash and cash equivalents at end of period	105.6751	108.5965	84.7650

Part 2:

Common Ratios Analysis:

The derivation of the ratios is available in the below excel file. The summary of the ratios is presented in the table below.



RatioAnalysis.xlsx

Financial Ratios	FY 1992-93	FY 1991-92	FY 1990-91
Profitability Ratios			
(a) Margin on Sales:			
Gross Profit Ratio	38.61%	38.61%	36.85%
Operating Profit Ratio	16.63%	15.83%	19.17%
Net Profit Ratio	10.81%	9.12%	11.41%
(b)Return on Investment:			
Return on Operating Assets	18.85%	21.17%	6.10%
Return on Total Assets	8.18%	6.54%	1.87%
Return on Equity	15.73%	13.29%	3.86%
(c)Efficiency in use of Assets:			
Total Asset Turnover Ratio	0.7566	0.7170	0.1636
Operating Turnover Ratio	1.1338	1.3372	0.3183
Solvency Ratios:			
(a)Short Term Solvency:			
Net Working Capital	354.7926	229.7450	126.7650
Current Ratio	12.2813	7.8376	22.1275
Quick Ratio	10.6426	6.6401	18.7942
Current Assets Cover(in number of days)	301.2745	225.6678	563.5777
Current Cover(in number of days)	82.4281	93.0595	359.8212
(b)Operating Cycle Efficiency:			
Accounts Receivable Turnover	3.6036	7.5211	4.1429
Average Collection Period (in days)	101.2882	48.5301	88.1034
Inventory Turnover	8.2811	11.2222	3.7000
Inventory Conversion Period (in days)	44.0762	32.5247	98.6486
Accounts Payable Turnover	11.6834	17.0707	12.3333
Average Payable Period (in days)	31.2409	21.3817	29.5946
Operating Cycle in days	145.3644	81.0548	186.7521
Operating Cycles per year	2.5109	4.5031	1.9545
Cash Conversion Period (in days)	114.1234	59.6731	157.1575
(c)Long Term Solvency			
Debt Equity Ratio	0.8528	1.0039	1.0663
Long Term Debt to Total Capital	0.7843	0.9182	1.0489
Times Interest Earned	2.8590	2.3571	2.4704
Equity Multiplier	1.8528	2.0039	2.0663

Ratio Analysis:

• Margin On Sales:

1. Gross profit margin is good and has remained constant at 38.61% over the 2 years. This indicates that concern has a good margin to cover its operating expenses and interest expenses.
2. Operating profit margin has increased from 15.83% in FY 1991-92 to 16.63% in FY 1992-93. Since the gross profit margin is constant, the increase in operating profit margin is due to the fact that the operating expenses are constant over the 2 years.
3. Net profit margin has shown an increase from FY 1991-92 to FY 1992-93. This is a positive sign.

• Return On Investment:

1. The Return on Operating Assets has decreased from 21.17% in FY 1991-92 to 18.85% in FY 1992-93. This can be attributed to the fact the concern has invested in new Plant & Machinery which has led to an increase in the operating assets, but is yet to realize the benefits of the new machinery.
2. The Return on Total Assets and Return on Equity has increased from FY 1991-92 to FY 1992-93, indicating that the concern is increasing the profit generating per unit of asset and per unit of net worth.

• Efficiency In Use Of Assets:

1. The total assets turnover ratio is 0.717 for FY 1991-92 and 0.7566 for FY 1992-93. This indicates low revenue for each unit asset. To increase the asset turnover ratio, the concern has to reduce its excess cash balance and use it to purchase short term investments for additional revenue generation.
2. The operating assets turnover ratio is 1.3372 for FY 1991-92 and 1.1338 for FY 1992-93. This indicates each unit of asset used in operations barely manages to generate one unit of revenue. The concern can consider improving its operations by reducing the inventory held in hand and making quicker use of the new plant & machinery to generate additional revenue.

• Short Term Solvency:

1. The net working capital and current ratio indicate that concern has current assets in far excess than the current liabilities. The current ratio of 7.8385 for FY 1991-92 and 12.2813 for FY 1992-93 are too high. This indicates under utilization of resources, i.e. current assets.
2. The quick ratio of 6.6401 for FY 1991-92 and 10.6426 for FY 1992-93 are also too high. The high value is due to the high cash balance and higher Trade Receivables.

Maintaining a current ratio of 1.5 to 2 and a quick ratio around 1 would be safe enough for a concern. The concern should consider deploying more of the current assets in investment or other revenue generating activities.

Also the concern has a higher proportion of current assets in trade receivables than in cash. It is not a good sign to have trade receivables. The concern should consider implementing a

stricter collection policy and invest the collected cash in other investments or revenue generating activities.

- **Operating Cycle Efficiency:**

1. The Average Payables period are within 31 days for both years. This indicates quick settlement of trade payables by the concern. This could indicate a strict collection policy since the concern is relatively new and also an attempt by the concern to gain the trust of the creditors.
2. The high Average Collection Period of 101.2882 days indicates that it has a lenient collection policy. This could be because the concern is attempting to increase its customer base.
3. Since cash conversion period is close to (and more than) the average payables period, this indicates that the concern can manage to meet its payables obligations on most occasions.

- **Long Term Solvency:**

1. The Total debt to equity ratio is close to 1 for both years. This indicates that the concern can meet its liabilities on its own, without the need of external funding. A lower ratio would indicate a stronger financial position of the concern.
2. The Long term debt to equity ratio has decreased from 0.9182 in FY 1991-92 to 0.7843 in FY 1992-93. This is indicating that the concern is increasing its net worth and/or reducing its long term debts. This indicates that the concern is growing in a positive direction.
3. Times Interest Earned Ratio is 2.3571 in FY 1991-92 and 2.8590 in FY 1992-93. This shows that each unit of interest generates 2 units of sales / revenue. This gives confidence to the lender that the interest amount can be paid by the concern.
4. The equity multiplier for both years is around 2, indicating that the concern is funding most of the assets through equity and debt almost equally.

Cash Flow Statement Analysis:

The analysis done for the cash flow statement is available in the below excel and is presented in the table below.



CashFlowStatement-A
analysis.xlsx

Particulars	FY 1992-93	FY 1991-92	FY 1990-91
Major Sources			
Proceeds from owner's contributions	-	-	330
Proceeds from long-term borrowings	-	-	360
Decrease in Advance to Suppliers	-	20	-
Decrease in investments	150	-	-
Investment income	-	9	0.75
Major Uses			
Net cash from operating activities	12,9214	5,1685	20,9850
Purchase of property, plant and equipment	140	-	325
Increase in investments	-	-	150
Increase in Advance to Suppliers	-	-	110
Capex vs Depreciation			
Capex	140.0000	0.000	325.0000
Depreciation	48.125	34.125	8.53125
Capex - Depreciation (excess / deficit)	91.8750	(34.1250)	316.4688
Capex > Depreciation	No	Yes	No
Free Cash Flow			
Cash flow from operating activities	(12,9214)	(5,1685)	(20,9850)
Capex	140.0000	0.00	325.0000
Dividends paid including distribution tax	-	-	-
Interest paid	36.0000	36.0000	9.0000
Free Cash Flows (Cash flow from operating activities - [capex + dividend + interest])	(188,9214)	(41,1686)	(354,9850)
	Source of additional cash	Use of Excess Cash	Source of additional cash
Sources of gap funding	Decrease in investments - 150	Increase in cash balance	Long term borrowings - 360
	Decrease in cash balance		

Costing Aspect Analysis:**Common Size Numbers Analysis:****Balance Sheet Common Size Numbers:**

Particulars	Common Size Numbers		
	FY 1992-93	FY 1991-92	FY 1990-91
EQUITY AND LIABILITIES			
Net Worth			
(a) capital	38.80%	42.00%	46.53%
(b) Reserves and surplus	15.17%	7.90%	1.87%
Total Net Worth	53.97%	49.90%	48.39%
Non-current liabilities			
(a) Long Term Borrowings	42.33%	45.82%	50.76%
(b) Other Long Term Borrowings			
Total Non-current liabilities	42.33%	45.82%	50.76%
Current liabilities			
(a) Trade payables	3.70%	4.28%	0.85%
(b) Other current liabilities			
Total Current liabilities	3.70%	4.28%	0.85%
Total Liabilities and Net Worth	100.00%	100.00%	100.00%
ASSETS			
Non-current assets			
(a) Fixed assets			
(i) Tangible assets			
-Plant & Machinery	38.51%	28.96%	35.74%
-Furniture & Fittings	3.38%	4.30%	5.46%
-Office Equipment	2.11%	2.68%	3.41%
(b) Non-current investments	-	19.09%	21.15%
(c) Other non-current assets			
Advances to Suppliers	10.58%	11.45%	15.51%
Total Non-current assets	54.58%	66.48%	81.28%
Current assets			
(a) Inventories	6.06%	5.12%	2.82%
(b) Trade receivables	26.93%	14.57%	3.95%
(c) Cash and cash equivalents	12.43%	13.82%	11.95%
(d) Short-term loans and advances			
(e) Other current assets			
Total Current assets	45.42%	33.52%	18.72%
Total Assets	100.00%	100.00%	100.00%

Income Statement Common Size Numbers:

Particulars	Common Size Numbers		
	FY 1992-93	FY 1991-92	FY 1990-91
Revenue			
Revenue from operations	100.00%	100.00%	100.00%
Other Income	-	1.68%	0.65%
Total Revenue	100.00%	101.68%	100.65%
Cost of Goods Sold			
Inventory			
Opening Stock of Inventory	6.50%	3.73%	-
Add: Purchases	47.71%	48.93%	60.34%
Less: Closing Stock of Inventory	8.33%	7.51%	17.24%
Total Inventory	45.88%	45.16%	43.10%
Manufacturing Expenses			
Factory Rent	5.82%	6.72%	7.76%
Manufacturing Wages	9.69%	11.20%	12.93%
Total Manufacturing Expenses	15.51%	17.91%	20.69%
Total Cost of Goods Sold	61.39%	63.07%	63.79%
Gross Profit	38.61%	38.61%	36.85%
SGA Expenses			
Salary to Office Staff	9.69%	11.20%	4.31%
Office Expenses	0.34%	0.40%	0.46%
Travelling Expenses	0.91%	1.05%	1.21%
Selling Expenses	1.16%	1.34%	1.55%
Office Rent & Rates	2.10%	2.43%	2.80%
Total SGA Expenses	14.21%	16.41%	10.33%
Earnings Before Interest Tax Depreciation	24.40%	22.20%	26.52%
Depreciation and amortization expense	7.77%	6.37%	7.35%
Operating Profit	16.63%	15.83%	19.17%
Interest Expenses	5.82%	6.72%	7.76%
Net Profit	10.81%	9.12%	11.41%

Costing Analysis through Common Size Numbers Observations:

1. Fixed assets account for 35.94% of the total assets in FY 1991-92 and for 44% in FY 1992-93. This shown an increase in fixed assets. This high proportion of fixed assets is expected for a manufacturing concern.
2. Trade Receivables account for 14.57% of the total assets in FY 1991-92 and 26.93% in FY 1992-93. There is an increase in the proportion of Trade Receivables. Though this

indicates a friendly credit policy, the amount / proportion of Trade Receivables should be reduced. This will reduce the possibility for bad debts.

3. Net Worth accounts for almost 50% of the Total Liabilities and Equity for both years. This is a good position and should be maintained by the concern.

Index Numbers Analysis:

Balance Sheet Index Numbers:

Particulars	Index Analysis		
	FY 1992-93	FY 1991-92	FY 1990-91
EQUITY AND LIABILITIES			
Net Worth			
(a) capital	100.00%	100.00%	NA
(b) Reserves and surplus	207.79%	100.00%	NA
Total Net Worth	117.07%	100.00%	NA
Non-current liabilities			
(a) Long Term Borrowings	100.00%	100.00%	NA
(b) Other Long Term Borrowings			
Total Non-current liabilities	100.00%	100.00%	NA
Current liabilities			
(a) Trade payables	93.60%	100.00%	NA
(b) Other current liabilities			
Total Current liabilities	93.60%	100.00%	NA
Total Liabilities and Net Worth	108.24%	100.00%	NA
ASSETS			
Non-current assets			
(a) Fixed assets			
(i) Tangible assets			
-Plant & Machinery	143.96%	100.00%	NA
-Furniture & Fittings	85.19%	100.00%	NA
-Office Equipment	85.18%	100.00%	NA
(b) Non-current investments	-	100.00%	NA
(c) Other non-current assets			
Advances to Suppliers	100.00%	100.00%	NA
Total Non-current assets	88.87%	100.00%	NA
Current assets			
(a) Inventories	128.08%	100.00%	NA
(b) Trade receivables	200.01%	100.00%	NA
(c) Cash and cash equivalents	97.31%	100.00%	NA
(d) Short-term loans and advances			
(e) Other current assets			
Total Current assets	146.67%	100.00%	NA
Total Assets	108.24%	100.00%	NA

Income Statement Index Numbers:

Particulars	Index Analysis		
	FY 1992-93	FY 1991-92	FY 1990-91
Revenue			
Revenue from operations	115.50%	100.00%	NA
Other Income	-	100.00%	NA
Total Revenue	113.59%	100.00%	NA
Cost of Goods Sold			
Inventory			
Opening Stock of Inventory	201.19%	100.00%	NA
Add: Purchases	112.61%	100.00%	NA
Less: Closing Stock of Inventory	128.08%	100.00%	NA
Total Inventory	117.36%	100.00%	NA
Manufacturing Expenses			
Factory Rent	100.00%	100.00%	NA
Manufacturing Wages	100.00%	100.00%	NA
Total Manufacturing Expenses	100.00%	100.00%	NA
Total Cost of Goods Sold	112.43%	100.00%	NA
Gross Profit	115.50%	100.00%	NA
SGA Expenses			
Salary to Office Staff	100.00%	100.00%	NA
Office Expenses	100.00%	100.00%	NA
Travelling Expenses	100.00%	100.00%	NA
Selling Expenses	100.00%	100.00%	NA
Office Rent & Rates	100.00%	100.00%	NA
Total SGA Expenses	100.00%	100.00%	NA
Earnings Before Interest Tax Depreciation	126.95%	100.00%	NA
Depreciation and amortization expense	141.03%	100.00%	NA
Operating Profit	121.29%	100.00%	NA
Interest Expenses	100.00%	100.00%	NA
Net Profit	136.98%	100.00%	NA

Costing Analysis through Index Analysis Observations:

1. The index numbers for SGA Expenses remains the same over the 2 years. This translates to a better increase in the Net Profit for the business, as indicated by the increase in the index numbers for the Net Profit.

2. The index numbers for Gross Profit, EBITDA, Operating Profit and Net Profit show an increasing trend over the 2 years indicating growth of business for the concern. This also indicates good pricing strategy and good control of expenses by the concern.
3. The index numbers for Reserves and Surplus show an increase of 107.79% indicating strong business for the concern and the profit has increased considerably over the last year. The earnings are retained in the Reserves and Surplus.
4. The increase in the index size numbers of Plant & Machinery indicates that the concern is investing more for business expansion.

Interlinking of Balance Sheet and Income Statement:

1. The decrease in index numbers of Non-current Investments in the balance sheet can be linked with the decrease in the Other Income in the income statement.
2. The increase in the index numbers of Reserves and Surplus and Net Worth items of the balance sheet can be related with the increase in the Net Profit in the income statement.
3. The increase in the index numbers of Inventory in the balance sheet can be linked with the increase in Closing Stock Inventory of the income statement.
4. The increase in the index size numbers of Plant & Machinery can be linked with the increase in the index numbers of Depreciation and Amortization Expenses of the income statement.