

Financial Statement Analysis of Sheen Confectionery

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Abstract

The research paper focuses on the increasing demand for bakery products and the growth of the bakery industry, with a particular emphasis on Sheen Confectionery in India. The study utilizes comparative statements to analyze the financial position and income position of Sheen Confectionery. The objectives of the study are to assess the company's assets and liabilities, provide recommendations for improvement, and understand the changes in the company's financial performance over time. The paper acknowledges limitations in terms of the time frame and the use of a single analytical tool. The findings highlight trends and fluctuations in various financial aspects of Sheen Confectionery, and based on the analysis, recommendations are provided to enhance the company's financial position and profitability.

Keywords: Bakery business, Sheen Confectionery, Financial statement, Comparative analysis, Assets and liabilities, Financial performance

Introduction

The increasing demand for baked items, driven by affordability and comfort, has led to a rise in the number of chefs, cooks, and home bakers starting their own businesses. The global market for bakery products was valued at approximately US\$ 478.4 billion in 2019, with the majority of growth attributed to the growing demand. This trend indicates that the demand for bakery products is expected to continue increasing in the coming years. In India, the bakery sector is a significant segment of the food processing industry, with bread and rolls accounting for about 80% of the sector. Bread and biscuits are regularly consumed by consumers, contributing to the expansion of the bakery business. The estimated annual turnover of the bakery industry in India was \$7.60 billion in 2020, making it the largest food processing segment in the country. Biscuits and cookies make up around 72% of the sales in the Indian bakery market. Additionally, the introduction of value-added bakery products has further fueled the growth of this market.

Sheen Bakery, established by the Venus Group of Concern in 1952, is a prominent brand in the North Malabar region of India. The Venus Group of Concern is considered an industry leader, attributed to factors such as teamwork among partners and the dedication of employees in ensuring the production of quality products delivered on time. A study on Sheen Confectionery was conducted using secondary data. The study utilized comparative statements, including comparative balance sheets and comparative income statements. The primary objectives of the study were to analyze the financial position and income position of Sheen Confectionery and provide recommendations regarding assets and liabilities. However, the study is limited to a four-year timeframe and relies solely on comparative statements as the analytical tool. By comparing items from different years, the study aims to identify changes that can inform future analysis.

Review of Literature

Financial statement analysis is a crucial tool used by researchers and analysts to assess the financial health and performance of a company. It involves examining a company's financial statements, such as the balance sheet, income statement, and cash flow statement, to gain insights into its profitability, liquidity, solvency, and overall financial position. By analyzing key financial ratios, trends, and metrics derived from the financial statements, researchers can evaluate the company's operational efficiency, growth potential, risk exposure, and potential for generating sustainable returns. Financial statement analysis provides valuable information for decision-making processes such as investment analysis, credit assessment, and strategic planning. It requires a comprehensive understanding of accounting principles, financial reporting standards, and industry-specific benchmarks. Therefore, conducting rigorous financial statement analysis is essential for researchers in order to generate meaningful insights and contribute to the body of knowledge in finance and accounting disciplines.

Foster, G. (1986) in his book *Financial Statement Analysis* focuses on financial statement analysis. The author, Foster, provides a comprehensive guide to understanding and analyzing financial statements. The book covers various aspects of financial analysis, including ratio analysis, trend analysis, and cash flow analysis. It aims to equip readers with the necessary skills to interpret financial statements and make informed decisions based on the information they provide. Foster's book serves as a valuable resource for students, professionals, and anyone interested in enhancing their understanding of financial statement analysis.

In their article, Hofmann and Lampe (2013) focus on the role of financial statement analysis in improving the performance of logistics service providers. They stress the importance of assessing the financial health, efficiency, and profitability of logistics companies through financial analysis. The authors delve into various financial ratios and indicators commonly utilized in financial statement analysis, such as return on assets, return on equity, and operating profit margin. These metrics play a crucial role in understanding the financial performance and competitive position of logistics service providers. Furthermore, Hofmann and Lampe explore specific strategies and practices that can enhance the financial performance of logistics companies. These include effective cost management, investment in technology and infrastructure, forging strategic partnerships, and prioritizing customer relationship management. The research article underscores the significance of financial statement analysis in elevating the performance of logistics service providers. The study's findings and recommendations offer valuable insights for logistics companies aiming to identify areas for improvement and implement strategies to strengthen their financial performance and overall competitiveness.

The research article by Ehiedu (2014) titled "The Impact of Liquidity on Profitability of Some Selected Companies: The Financial Statement Analysis (FSA) Approach" focuses on examining the relationship between liquidity and profitability of selected companies using financial statement analysis. The study highlights the significance of liquidity in influencing a company's profitability. Using the financial statement analysis (FSA) approach, the author analyzes the liquidity and profitability ratios of the chosen companies. The study investigates various liquidity ratios, such as current ratio and quick ratio, and profitability ratios, including return on assets and return on equity. The findings of the study reveal a significant impact of liquidity on the profitability of the selected companies. The research emphasizes the importance of maintaining an optimal level of liquidity to ensure profitability and financial stability. Overall, the article provides insights into the interplay between liquidity and profitability, emphasizing the crucial role of financial statement analysis in assessing this relationship. The study's findings contribute to the existing knowledge in finance and accounting, offering

valuable implications for companies aiming to improve their profitability through effective liquidity management.

In the research article by Bansal (2014), titled "A Comparative Financial Study: Evidence from Selected Indian Retail Companies," the author conducts a comparative analysis of financial performance among Indian retail companies. The study aims to provide evidence-based insights into the financial standing and performance of these companies. Bansal utilizes financial statement analysis techniques to examine key financial indicators such as liquidity, profitability, efficiency, and solvency. By comparing the financial statements of selected Indian retail companies, the study seeks to identify variations in performance and assess the factors contributing to these differences. The findings of the study shed light on the financial strengths and weaknesses of the retail companies under investigation. The research article contributes to the field of finance and investment analysis by providing empirical evidence and valuable insights into the financial performance of Indian retail companies. Overall, the study by Bansal offers a comprehensive comparative analysis of financial performance in the Indian retail sector, enabling stakeholders and investors to make informed decisions based on the financial standing and performance of these companies.

In the research article by Haralayya (2021), titled "Financial Statement Analysis Using Common Size on Mahindra Sindol Motors," the author explores the application of common-size analysis in evaluating the financial performance of Mahindra Sindol Motors. The study focuses on analyzing the company's financial statements using common-size statements, which express each item as a percentage of a base figure. The author discusses the significance of financial ratios, trend analysis, and industry benchmarks in interpreting the results. The research aims to provide insights into the financial health and performance of Mahindra Sindol Motors, contributing to the field of financial statement analysis.

Philip and Prasad (2023) conducted a study that centres on the examination of the South Indian Bank's financial performance. The primary objective of their research is to gain a deeper understanding of the bank's financial health and performance indicators. Through the application of financial analysis techniques, the authors thoroughly evaluate various aspects of the bank's performance, encompassing profitability, asset quality, liquidity, efficiency, and solvency. The study's outcomes present a comprehensive comprehension of The South Indian Bank's financial performance, thereby offering valuable insights for stakeholders, including investors, regulators, and management. Consequently, this research article contributes to the existing knowledge in the field of banking and finance, with a specific focus on The South Indian Bank.

Research Gap and Objectives

Financial statements play a crucial role in assessing the financial health and performance of a company. They provide valuable insights into a company's financial position, profitability, liquidity, and overall viability. The study conducted on Sheen Confectionery recognizes the significance of financial statements and sets forth two primary objectives. Firstly, it aims to analyze the company's financial and income position by utilizing balance sheets and income statements. Through the examination and comparison of these financial tools, the study will assess the company's assets, liabilities, incomes, and expenses over different years, enabling a comprehensive understanding of past changes and the ability to forecast future changes. Secondly, the study seeks to provide recommendations for improving the company's assets and liabilities. By analyzing the company's financial performance, the study will offer valuable insights and suggestions to help Sheen Confectionery effectively manage its assets and liabilities. This will empower the company to make informed decisions regarding its financial management and enhance its overall financial position.

Based on the extensive review of literature carried out, the study has two primary objectives.

- a. Firstly, it aims to analyze the financial and income position of Sheen Confectionery using balance sheets and income statements. By utilizing these financial tools, such as balance sheets and profit and loss accounts, the study examines and compares the company's assets, liabilities, incomes, and expenses over different years. This analysis helps in understanding the past changes and forecasting future changes in the company's financial position.
- b. Secondly, the study seeks to provide necessary recommendations to improve the company's assets and liabilities. By utilizing the financial tools, the study will provide insights and recommendations to help the company manage its assets and liabilities

effectively. These recommendations will be based on the analysis of the company's financial performance, allowing Sheen Confectionery to make informed decisions regarding the management of its assets and liabilities.

Methodology and Limitations

The study titled "Financial Statement Analysis of Sheen Confectionery" aims to evaluate the financial performance of Sheen Confectionery by comparing their balance sheets and profit and loss statements over a five-year period from 2017 to 2022. The study utilizes comparative statements, specifically comparative balance sheets and comparative profit and loss statements, to analyze the company's financial performance. However, the study has certain limitations. Firstly, it is limited to a specific period, despite the company's long history since its establishment in 1952. This time limitation may hinder the ability to draw comprehensive conclusions about the company's overall financial performance. Additionally, the study relies solely on the use of comparative statements as its analytical tool. While financial analysis typically incorporates various tools such as comparative analysis, common size analysis, trend analysis, and ratio analysis, this study focuses exclusively on comparative analysis. This limitation may impact the clarity of the conclusions drawn from the study since it relies on a single tool for analysis. Overall, the study provides insights into the financial performance of Sheen Confectionery but acknowledges the limitations posed by the restricted time frame and reliance on a single analytical tool.

Results and Discussions

The comparative balance sheet analysis conducted for Sheen Confectionery in this research paper aims to provide a comprehensive understanding of the company's financial performance and changes in its financial position between two specific periods, namely 31st March 2021 and 31st March 2022. By examining the absolute changes and percentage changes in various liabilities and assets, the analysis sheds light on key trends and developments within the company. The findings from this analysis can offer valuable insights into the company's financial health, its ability to manage liabilities, its asset utilization, and overall growth. These insights can serve as a foundation for further evaluation and decision-making by stakeholders, investors, and financial analysts.

Comparative Balance Sheet for the Year 2016-2017 And 2017-18

Particulars	31st March 2017	31st March 2018	Absolute Change	Percentage Change
Liabilities				
Capital Account	24,28,537.05	-11,84,795.93	-36,13,332.98	-149%
Current Liabilities	1,33,835	2,62,284	1,28,449	96%
Sundry Creditors	19,27,921	77,45,629.96	58,17,708.96	302%
Total	44,90,293.05	68,23,118.03	23,32,824.98	52%
Assets				
Fixed Assets	20,01,711.57	19,13,405.19	-88,306.38	-4%
Closing Stock	14,73,356	35,20,186	20,46,830	139%
Cash At Bank	2,07,906.79	3,11,502.44	1,03,595.65	50%
Cash In Hand	3,28,288.68	4,73,621.98	1,45,333.3	44%
Deposits	4,79,030.01	6,04,402.42	1,25,372.41	26%
Total	44,90,293.05	68,23,118.03	23,32,824.98	52%

Interpretation

From the above provided table, several key changes were observed in different financial indicators. Firstly, the capital of the company decreased significantly by -Rs 36,13,332.98, representing a change of -149%. Secondly, the current liabilities of the company increased by Rs 1,28,449, reflecting a change of 96%. Thirdly, the sundry creditors of the company showed a significant increase of Rs

5,81,77,08.96, resulting in a change of 302%. Fourthly, the fixed assets experienced a slight decline of Rs -88,306.38, representing a change of -4%. Furthermore, the closing stock of the company saw a substantial increase of Rs 20,46,830, reflecting a change of 139%. The cash at bank showed a positive change of Rs 1,03,595.65, indicating a 50% increase. Moreover, the cash in hand of the company also increased, with a change of Rs 1,45,333.3, representing a change of 44%. Lastly, the deposits showed a change of Rs 1,25,372.41, indicating a 26% change. These changes provide valuable insights into the company's financial position, highlighting areas of concern and potential improvement. Further analysis and evaluation are necessary to gain a comprehensive understanding of the company's overall financial performance.

Comparative Balance Sheet for the Year 2017-18 And 2018-19

Particulars	31st March 2018	31st March 2019	Absolute Change	Percentage Change
Liabilities				
Capital Account	-11,84,795.93	-17,29,389.72	-5,44,593.79	46%
Secured Loans	0	45,95,987	45,95,987	0
Current Liabilities	2,62,284	2,15,800	-46,484	-18%
Sundry Creditors	77,45,629.96	1,08,08,297.46	30,62,667.5	40%
Total	68,23,118.03	1,38,90,694.74	70,67,576.71	104%
Assets				
Fixed Assets	19,13,405.19	68,60,284.19	49,46,879	259%
Closing Stock	35,20,186	48,02,038	12,81,852	36%
Sundry Debtors	0	4,79,798.03	4,79,798.03	0%
Cash At Bank	3,11,502.44	2,12,643.28	-98,859.16	-32%
Cash In Hand	4,73,621.98	10,38,497.23	5,64,875.25	119%
Deposits	6,04,402.42	4,97,434.01	-1,06,968.41	-18%
Total	68,23,118.03	1,38,90,694.74	70,67,576.71	104%

Interpretation

From the above provided table, the changes in liabilities and assets of the company over a one-year period. The liabilities section indicates a decrease in the capital account and current liabilities, while sundry creditors experienced a notable increase. The total liabilities increased by 104% during this period. In terms of assets, there was a significant rise in fixed assets and closing stock, contributing to a 259% and 36% increase, respectively. Cash in hand also showed a substantial increase, while cash at bank and deposits decreased. The total assets increased by 104% overall. These changes offer insights into the company's financial performance, but further analysis is needed to fully evaluate its financial health and overall performance.

Comparative Balance Sheet for the Year 2018-2019 And 2019-2020

Particulars	31st March 2019	31st March 2020	Absolute Change	Percentage Change
Liabilities				
Capital	-17,29,389.72	29,26,948.28	46,56,338.00	-269.2%
Secured Loans	45,95,987.00	43,95,307.00	-2,00,680.00	-4.4%
Current Liabilities	2,15,800.00	3,65,366.00	1,49,566.00	69.3%
Sundry Creditors	1,08,08,297.46	71,53,672.56	-36,54,624.90	-33.8%
Total	1,38,90,694.74	1,48,41,293.84	9,50,599.10	6.8%

Assets				
Fixed Assets	68,60,284.19	79,70,489.54	11,10,205.35	16.2%
Closing Stock	48,02,038.00	19,27,780.00	28,74,258.00	-59.9%
Sundry Debtors	4,79,798.03	29,238.00	-4,50,560.03	-93.9%
Cash At Bank	2,12,643.28	4,61,841.07	2,49,197.79	117.2%
Cash In Hand	10,38,497.23	39,34,511.22	28,96,013.99	278.9%
Deposits	4,97,434.01	5,17,434.01	20,000.00	4.0%
Total	1,38,90,694.74	1,48,41,293.84	9,50,599.10	6.8%

Interpretation

The presented table highlights the changes in the company's financial position between March 31, 2019, and March 31, 2020. In terms of liabilities, there was a significant decrease in the capital account and secured loans. However, current liabilities increased, while sundry creditors experienced a notable decline. Overall, the total liabilities increased slightly. On the asset side, there was an increase in fixed assets, but a substantial decrease in closing stock and sundry debtors. Conversely, cash at bank and cash in hand showed significant increases, and deposits had a slight increase. The table indicates a mixed financial performance for the company during the specified period, with changes in various liability and asset categories. Further analysis and evaluation are necessary to fully understand the implications of these changes on the company's financial health and performance.

Comparative Balance Sheet for the Year 2019-20 And 2020-21

Particulars	31st March 2020	31st March 2021	Absolute Change	Percentage Change
Liabilities				
Capital	29,26,948.28	34,96,715.23	5,69,766.95	19%
Secured Loans	43,95,307	54,23,815.86	10,28,508.86	23%
Current Liabilities	3,65,366	3,55,645	-9,721	-3%
Sundry Creditors	21,53,672.56	84,50,534.81	62,96,862.25	292%
Total	1,48,41,293.84	1,77,26,710.9	28,85,417.06	19%
Assets				
Fixed Assets	79,70,489.54	89,78,818.6	10,08,329.06	13%
Closing Stock	19,27,780	60,07,600	40,79,820	212%
Sundry Debtors	29,238	10,206	-19,032	-65%
Cash At Bank	4,61,841.07	3,36,031.9	-1,25,809.17	-27%
Cash In Hand	39,34,511.22	18,91,620.39	-20,42,890.83	-52%
Deposits	5,17,434.01	5,02,434.01	-15,000	-3%
Total	1,48,41,293.84	1,77,26,710.9	28,85,417.06	19%

Interpretation

The table presents the changes in the company's liabilities and assets between March 31, 2020, and March 31, 2021. Liabilities showed growth in the capital account and secured loans, while current liabilities decreased slightly. The most notable change was a substantial increase in sundry creditors. Total liabilities increased overall. On the asset side, fixed assets and closing stock experienced growth, indicating positive trends. However, there were decreases in sundry debtors, cash at bank, cash in hand, and deposits. The

total assets increased. These changes highlight the company's financial performance, including areas of growth, potential liquidity strain, and the need for further analysis to assess overall financial health and performance.

Comparative Balance Sheet for the Year 2020-21 And 2021-22

Particulars	31st March 2021	31st March 2022	Absolute Change	Percentage Change
Liabilities				
Capital Account	34,96,715.23	45,74,666.69	10,77,951.46	31%
Secured Loans	54,23,815.86	41,54,700.97	-12,69,114.89	-23%
Current Liabilities	3,55,645	4,52,739	97,094	27%
Sundry Creditors	84,50,534.81	96,94,949.66	12,44,414.85	15%
Total	1,77,26,710.9	1,88,77,056.32	11,50,345.42	6%
Assets				
Fixed Assets	89,78,818.6	89,66,328.07	-12,490.53	0%
Closing Stock	60,07,600	58,52,603	-1,54,997	-3%
Sundry Debtors	10,206	5,71,436.02	5,61,230.02	5499%
Cash At Bank	3,36,031.9	3,43,231.2	7,199.3	2%
Cash In Hand	18,91,620.39	25,15,981.12	6,24,360.73	33%
Deposits	5,02,434.01	6,27,476.91	1,25,042.9	25%
Total	1,77,26,710.9	1,88,77,056.32	11,50,345.42	6%

Interpretation

From the above provided table, the changes in values for different particulars between 31st March 2021 and 31st March 2022. In terms of liabilities, the Capital Account saw a significant increase of ₹10,77,951.46 or 31%, while Secured Loans decreased by ₹12,69,114.89 or -23%. Current Liabilities and Sundry Creditors experienced moderate increases of 27% and 15%, respectively. Overall, the total liabilities increased by ₹11,50,345.42 or 6%. Turning to assets, Fixed Assets remained relatively stable with a negligible change of -₹12,490.53 or 0%. Closing Stock decreased by -₹1,54,997 or -3%. Sundry Debtors witnessed a substantial increase of ₹5,61,230.02 or 5499%. Cash at Bank and Cash in Hand both saw moderate increases of 2% and 33%, respectively. Additionally, Deposits increased by 25%. The total assets also increased by ₹11,50,345.42 or 6%.

Conclusion

The analysis of the company's financial data reveals several trends and fluctuations in different aspects. The share capital of the company has consistently increased over the past two years, indicating growth. However, current liabilities have shown inconsistent patterns, initially increasing, then decreasing, and fluctuating alternatively. Sundry creditors experienced an overall increase until the third year, followed by a decrease, and then an upward trend in the subsequent year. Fixed assets displayed an increase in 2018-19 but decreased in 2021-22. Closing stock exhibited a continuous increase from 2017-18 to 2020-2021, but experienced a decrease in 2021-22. Debtors showed alternating increases and decreases. Cash at bank fluctuated, with increases in 2017-18, 2019-2020, and 2021-22, but decreases in 2018-19 and 2020-21. Cash in hand generally increased except for a decrease in 2020-21. Deposits also demonstrated a fluctuating nature throughout the analysed period.

Based on the analysis, Sheen Confectionery has shown a positive trend in share capital, indicating growth and opportunities for expansion. However, the company needs to address the fluctuating current liabilities by reducing them to establish stability. The fluctuating sundry creditors highlight the need to minimize payment periods and improve accounts payables. Effective utilization of fixed assets, maintaining optimal closing stock levels, and minimizing the number of debtors is essential for profitability. The company

should also focus on increasing cash reserves, carefully inspecting deposits, optimizing advertising expenses, reducing audit fees, and managing indirect costs like car maintenance. By implementing these recommendations, Sheen Confectionery can enhance its financial position, operational efficiency, and overall profitability.

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