THE INTERNATIONAL JOURNAL OF BUSINESS & MANAGEMENT

An Analytical Study on Financial Assessment of Sky-Hi Enterprises (India) Private Limited through Trends

G. Santoshi
Head of the Department, Department of Business Administration,
Indian Institute of Management and Commerce (IIMC), Hyderabad, Telangana, India

Abstract:
The present study was to find the financial position of Sky-Hi Enterprises (India) Private Limited for four years i.e. from 2011 to 2014 through trend analysis, a part of financial statement analysis. Trend analysis is performed through analysis of reported financial information by using different accounting tools and techniques. Trend analysis was performed on financial statements of Sky-Hi Enterprises (India) Private Limited. For this purpose I had used secondary data to analyze trend of various variables. The objective was to verify if there are significant differences between the base year 2011 and current years 2012, 2013 and 2014.The variables used for the trend analysis are Total Revenue, Total Expenses and Profit after tax, Earnings per Share, Shareholders Funds, Currents Assets and Current liabilities. The results of the study found that the performance of the company was satisfactory with the variables which have been undertaken and the company is utilizing its resources effectively.

Keywords: Trend analysis, trend percentage, variables, statement of profit & loss, statement of financial position

1. Objectives of the Study
1. To understand the concept of trend analysis & use of trends.
2. To study the financial position of the Sky-Hi Enterprises (India) Private Limited for 4years i.e. from 2011-2014 through trend analysis.
3. To study past growth or decline of the series.

2. Methodology of the Study
The Present study is based on secondary data which has been collected from the financial statements and Audited financial reports of Sky-Hi Enterprises (INDIA) Private Limited.

3. Scope of the Study
The study applies to only Sky-Hi Enterprises (INDIA) Private Limited and does not reflect to other companies. Further the study is applicable only from 2011 to 2014 and does not reflect to other years.

4. Limitations of the Study
1. The data used for the study is historical in nature and only few variables are taken.
2. Only quantitative aspects have been taken into consideration for the study but not qualitative aspects.

5. Introduction
Trend analysis is the practice of collecting information and attempting to spot a pattern or trend in the information. Trend analysis is an aspect that tries to predict the future movement of a stock based on past data. It is based on the idea that what has happened in past gives traders an idea of what will happen in the future. Trend analysis can be defined as "A comparative analysis of a company's financial ratios over time". Business trend analysis is a way for companies to determine future results in economic marketplaces. Reviewing past information can help management to understand current trends and where a market niche may be for a product. Current operations may also be reviewed by trend analysis to determine the strength of certain product lines and if the market will maintain the current supply of goods. "Trend analysis tries to predict a trend like a bull market run and ride that trend until data

suggests a trend reversal (e.g. bull to bear market). It is helpful because moving with trends and not against them, will lead to profit for an investor".

In order to analyze the financial statements we can use different kinds of methods such as

- Comparative Statements
- Trend Analysis
- Common-size Statements
- Ratio Analysis
- Funds flow Analysis
- Cash flow Analysis

5.1. Procedure for Calculation of Trends
- Step1: Select the base year.
- Step2: For each line item, divide the amount in each non base year by the amount in the base year and multiply by 100.

Note: The base year percentage is always 100. A trend percentages of less than 100 means there is a decrease in trend, whereas a trend percentage above 100 represents increase in trend.

- Step3: Calculate the difference between the non-base year percentage and the base year percentage, a negative difference indicates decrease in trend whereas a positive difference indicates an increase in trend.
- Step4: Calculate the relationship between the trend and non-trend years.

The percentage can be found this way and if the current-year percentages were greater than the previous year percentage, this would mean that current-year result is better than the previous year result.

The present study deals with the trend analysis of variables such as Total Revenue, Total Expenses, Profit after tax, Earnings per share, Shareholders Funds, Current Assets, Current liabilities

5.2. Precautions for Calculating Trend Percentages
1. The accounting principles & practices must be followed constantly over the period for which the analysis is made. This is necessary to maintain consistency & comparability.
2. The base year selected should be normal & representative year. Every item in the base statement should be stated as 100.
3. Trend percentages should be calculated only for the items which have a logical relationship with one another.
4. Trend ratios of each item in other statement is calculated with reference to the same item in the base statement by using the following formula:
1. (Absolute value of item in the statement under study/Absolute value of the same item in the base statement)*100
5. Trend percentages should also be carefully studied after considering the absolute figures on which these are based. Otherwise, they may give misleading conclusions.
6. To make the comparison meaningful, trend percentages of the current year should be adjusted in the light of price level changes as compared to the base year.

5.3. Use of Various Variables in Calculation of Trends

5.3.1. Use of Revenue in Calculating Trends
Well-formed top-line projections come from working on a few key aspects of company analysis. First, historic financial analysis can help build expectations, taking into consideration recent events that might cause revenue growth to diverge from recent trends. Since profit is revenue less expenses, to determine what your profit is you must first identify all revenues & expenses for the period under study. Revenue illustrates sales increases/decreases over time. It is used to measure how fast a business is expanding. More valuable than a snapshot of revenue, it helps investors to identify trends in order to gauge revenue over a prescribed period of time.

5.3.2. Use of Expenses in Calculating Trends
It is designed specifically for individuals who want to look at summarized expense data over time. Its goal is to be easier than writing your own reports. Expenses Trend Analysis moves beyond reports to provide analysis. This means you don't have to start with a specific question. You may have a question to begin with, but what you really want is to learn about your expenses and analyze the data. Rather, this product is intended to help users identify expense trends and outliers through the use of summarized data.

5.3.3. Use of Profit in Calculating Trends
This is the "bottom line" that garners most of the attention in discussions of a company's profitability. It is designed specifically for individuals who want to look at summarized Profit data over time. Its goal is to be easier than writing your own reports.

5.3.4. Use of Earnings per Share in Calculating Trends
 Earnings per share is generally considered to be the single most important variable in determining a share's price. It is important and widely used metric which is even mentioned in the audited financial reports of the companies. It is very worthwhile to track a company's earnings per share ratio on a trend line. If the trend is positive, then the company is either generating an increasing amount

of earnings or buying back its stock. Conversely, a declining trend signal to investors that a company is in trouble, which can lead to a decline in the stock price. The track record of EPS for several years reflects the growth rate of the company & potential investors look forward to invest in the company if they see an increasing trend.

5.3.5. Use of Shareholder's Funds in Calculating Trends
Also known as return on net worth. It measures a corporation's profitability by revealing how much profit a company generates with the money shareholders have invested. Many investors also choose to calculate return on equity at the beginning of the period and the end of a period to see the change in return. This helps track a company's progress and ability to maintain a positive earnings trend.

5.3.6. Use of Current Assets and Current Liabilities in Calculating Trends
This relationship gauges how able the business is to pay current debts using only its current assets.

5.4. Objectives of Measuring Trend
There are four main objectives of measuring Trend in a time series data:
1. To study past growth or decline of the series. On ignoring the short term fluctuations, trend describes the basic growth or decline tendency of the data.
2. Assuming that the same behavior would continue in future also, the trend curve can be extended for forecasting future.
3. In order to analyze the influence of other factors the trend may first be measured and then eliminated from the observed values.
4. Trend values of two or more time series can be used for their comparison.

5.5. Advantages of Use of Trends
Forecasting future events is always a risky endeavor. A properly constructed trend analysis helps businesses minimize the risk of marketing and financial strategies. Spotting valid trends can give companies a head start in defeating their competition or introducing new products or services. Filling wants and needs of potential customers leads to wonderful sales and revenue. A valid trend analysis can identify these wants and needs before they become dominant, giving your business valuable and useful information before your competition can react.
- Helps the management in decision making
- Helps the investors in investing decisions
- Helps the shareholders who are the real owners to know their share of earnings
- Helps the employees in knowing their contribution
- Helps the government in levying taxes

5.6. Limitations of Trend Analysis
1. Trend ratios become incomparable if the same accounting practices are not followed.
2. Trend ratios do not take into consideration the price level changes.
3. Trend ratios must always be read with absolute data on which they based, otherwise the conclusion may be misleading.
4. Trend ratios have to be interpreted in the light of certain non-financial like economic conditions, government policies and changes in income.

6. Data Analysis & Inferences

6.1. Formula to Calculate Trend Percentage
Trend (%) = (Amount in current year/Amount in base year)*100
Key equation: Percent change = (Current year amount – Base year amount) ÷ Base year amount

6.2. Calculation of Trends

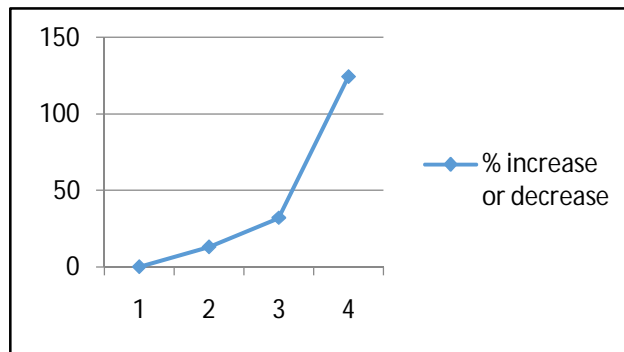| Years	Amount	% of base year	% increase or decrease
2011	268,500	100	-
2012	36,51,428	1359.93	13
2013	85,93,627	3200	32
2014	3,33,82,911	12,433	124.31

Table 1: Total Revenue

Figure 1: Total Revenue

- Inference: From the above table we can say that there is an increase in total revenue from 2011 to 2014, which implies that the company revenue has been increased so much as compared to base year. It shows that the company is utilizing its resources properly.

Years	Total amount	%of base year	% increase or decrease
2011	2,71,345	100	-
2012	35,53,986	1309.766	12
2013	83,78,451	3087	29.877
2014	3,16,19,335	11652.81	115.528

Table 2: Total Expenses
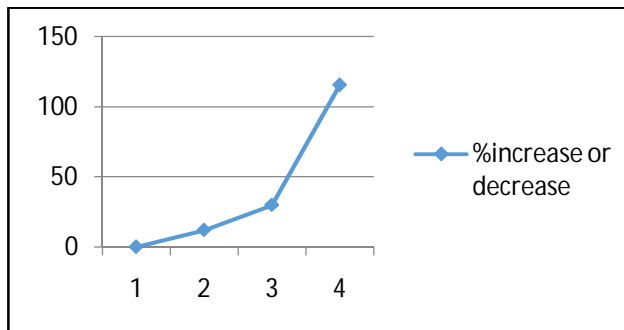
Figure 2: Total Expenses

- Inference: From 2011-2012 total expenses has been increased by 12% and in 2012-2013 it has been increased by 30% which is double compared to last year and in 2013-2014 expenses raised by 115%.

Years	Total amount	% of base year	%increase or decrease
2011	2845	100	-
2012	67,984	2389	22.89
2013	1,51,053	5309	52
2014	12,19,997	42,882	427.82

Table 3: Profit after tax
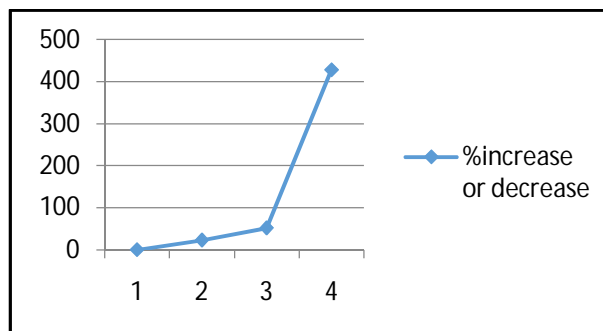
Figure 3: Profit after tax

- Inference:-The year 2011-2012 saw a drastic increase in profit after tax which is increased by 23% and in 2012-2013 it has been increased by 52% and in 2013-2014 it has been tripled by 427.82% which is four times greater than last year. From this trend line, we can say that there is an amazing change in the profit as compared to base year, company has earned good profits.

Years	Total amount	% of base year	% increase or decrease
2011	0	100	-
2012	100	100	1
2013	300	300	3
2014	2400	2400	23

Table 4: Earnings per share
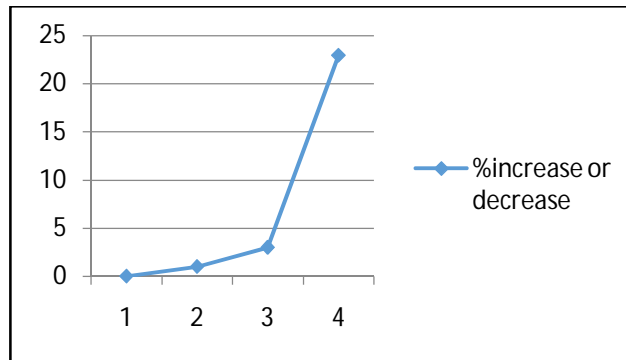
Figure 4: Earnings per share

- Inference: In the year 2011-2012 earnings per share was 1, from 2012 to 2013 it has been increased by 3 and in 2013-2014 it was 23.

Years	Total amount	%of base year	% increase or decrease
2011	9,97,155	100	-
2012	10,65,138	107	7
2013	12,61,191	126	26
2014	24,36,188	244	144

Table 5: Shareholders funds
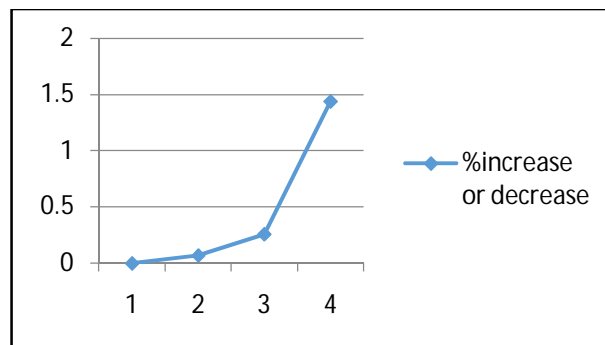
Figure 5: Share holders fund

- Inference: From 2011-2012 Shareholders funds has been increased by 7%, in 2012-2013 there is an increase by 26% and in 2013-2014 it has increased up to 144% which is a dynamic increase and it is a good sign for the company.

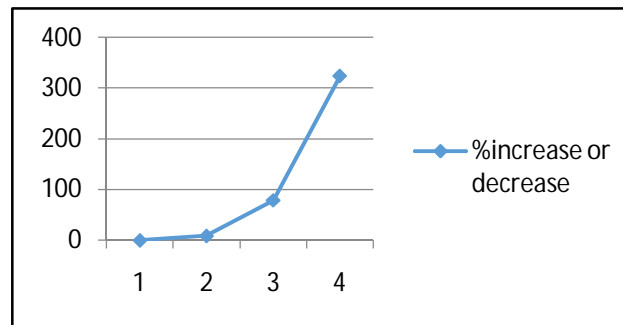| Years	Total amount	% of base year	%increase or decrease
2011	8,99,055	100	-
2012	9,77,995	108.78	8.78
2013	16,08,644	178.92	78.92
2014	38,09,509	423.72	323.72

Table 6: Current Assets

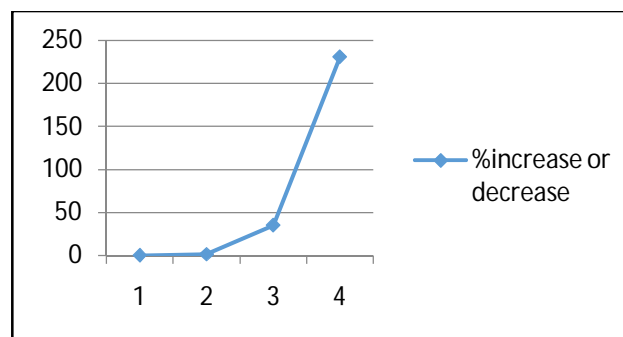*Figure 6: Current Assets*

- Inference: As compared to the base year 2011, the year 2012 saw an increase of 8.78% current assets, whereas the year 2013 saw an increase of 78.92% and in 2014 by 323.72%.

Years	Total amount	%of base year	%increase or decrease
2011	12,000	100	-
2012	26,966	224.71	1.21
2013	4,32,021	3600.17	35
2014	27,85,597	23213.30	231.13

Table 7: Current Liabilities

Figure 7: Current Liabilities

- Inference: As compared to the base year 2011, the year 2012 saw an increase of 1.21 % current liabilities, whereas the year 2013 saw an increase of 35% and in 2014 by 331%.

7. Findings
1. It has been found that the total revenue of the company has been increased from 2011 to 2014, which implies that the company is generating sufficient revenue to meet its future obligations.
2. It has been observed that the total expenses of the company are also increasing in the same proportion to the revenue.
3. It has been found that Profit after tax has been increased for 4 years which implies that after meeting all expenses, tax and other obligations the company is incurring huge profits.
4. It has been found that earnings per share & shareholders funds are increasing from 2011 to 2014 which is a good measure of profitability towards the company.
5. Current assets of the company is also increasing with the same proportion to the current liabilities which implies that the company is having sufficient funds to meet current obligations on time.

8. Suggestions
1. It has been suggested that as current assets are more than compared to current liabilities, it shows that the company is maintaining sufficient funds to meet its future obligations and Company should maintain the same position in the future also.
2. The company revenue is increasing, but still the company is incurring expenditure also in the same proportion, to reduce that expenditure the company has to take some measures.
3. As profits of the company and shareholders' funds are increased for the past 4 years, which implies it is not only with relation to sales, but also with relation to investments or capital of the company which is a good sign for the company.
4. As per earnings per share is considered, the shareholders accruing earnings on their investments which leads to shareholder's wealth of the company & even the new investors come forward to make an investment into the company which increases the sound financial health of the company.

9. Conclusion

Financial statement analysis is the process of underlying the risk and profitability of a firm through analysis of reported financial information, by using different accounting tools and techniques .Trend analysis is the process of analyzing a company's financial ratios over time. Trend analysis is one of the tools for the analysis of the company's monetary statements for the investment purposes. Investors use this analysis tool a lot in order to determine the financial position of the business. In trend analysis, the financial statements of the company are compared with each other for the several years after converting them in the percentage. The study deals with the calculation of trends, one of the important tool for financial analysis to measure and evaluate the increase or decrease in variables taken such as Total revenue, Total Expenses, Profit after tax, Earnings per share, Shareholder's funds, Current assets and Current liabilities. It has been concluded that overall, the financial performance of the company was satisfactory with all variables which have been undertaken for the study.

10. References

i. Shashi K Gupta, R K Sharma, Anuj Gupta (2014), "Management Accounting", Kalyani Publishers, Ludhiana
ii. Dr. P. C. Tulsian (2010), "Financial Management", S.Chand Publishing House, New Delhi
iii. Board of studies Indian Institute Of Chartered Accountants Of India (2009), "Cost Accounting and Financial Management", Noida
iv. 4.R.K.Sharma and Shasi K. Gupta (2009),"Management Accounting principles and practice" 11th revised edition, Kalyani Publishers, New Delhi
v. www.investopedia.com
vi. www.cliffnotes.com
vii. www.2012books.lardbucket.org
viii. www.accountingtools.com
ix. www.efinancemanagement.com/financialanalysis/earnings-per-share

Annexure

Figure 1

Figure 2

SKY-HI ENTERPRISES (INDIA) PRIVATE LIMITED
Statement of Profit and Loss for the year ended 31st March, 2012

(Figures in Rs.)

	Note No	Figures as at the end of 31st March, 2012	Figures as at the end of 31st March, 2011
I. Income:			
Revenue from Operations	13	3,651,428	268,500
Total Revenue		3,651,428	268,500
II. Expenses:			
Cost of Material Consumed	14	1,954,750	-
Employee Benefit Expense	15	1,230,150	24,500
Depreciation	6	17,960	17,900
Other Expenses	16	351,125	228,945
Total Expenses		3,553,985	271,345
III. Profit before exceptional and extraordinary items and tax	(I - II)	97,443	(2,845)
IV. Exceptional Items		-	-
V. Profit before extraordinary items and tax	(III - IV)	97,443	(2,845)
VI. Extraordinary Items		-	-
VII. Profit before tax	(V - VI)	97,443	(2,845)
VIII. Tax expense:			
(1) Current tax		26,961	-
(2) Deferred tax		2,498	-
(3) Earlier year tax		-	-
Total Tax Expense		29,459	-
IX. Profit for the period	(VII - VIII)	67,984	(2,845)
X. Earning per equity share of Rs. 100 each Basic and Diluted (In Rs.)		1	(0)
Significant Accounting Policies	1		
Notes on Financial Statements	2 to 19		

As per our Report of even date

for Rao & Rao,
Chartered Accountants,
(Firm Reg. No. 003100S)

K. S. S. SRI VAMSI,
Partner.
(ICAI Mem No. 210745)
Hyderabad: 27-07-2012

FOR AND ON BAHALF OF BOARD

S. K. Sampath Kumar
Director

K. Najamanee
Director

Hyderabad: 27-07-2012

Figure 3

SKY-HI ENTERPRISES (INDIA) PRIVATE LIMITED
Balance Sheet as at 31st March, 2014

(Figures in Rs.)

Particulars	Note No	Figures as at the end of 31st March, 2014		Figures as at the end of 31st March, 2013	
I. EQUITY AND LIABILITIES					
(1) Shareholder's Funds					
(a) Share Capital	2	10,00,000		10,00,000	
(b) Reserves and Surplus	3	14,36,188		2,16,191	
			24,36,188		12,16,191
(2) Non-Current Liabilities					
(a) Deferred Tax Liabilities (Net)	4	818		1,442	
			818		1,442
(3) Current Liabilities					
(a) Other current liabilities	5	27,85,597		4,11,308	
(b) Short-term provisions	6	-		20,712	
			27,85,597		4,32,020
Total			52,22,603		16,49,653
II. ASSETS					
(1) Non-current assets					
Fixed assets					
(a) Tangible assets	7	13,988		20,988	
(b) Other Non Current Assets	8	-		20,000	
(c) Long term loans and advances	9	13,99,106		-	
			14,13,095		40,989
(2) Current assets					
(a) Cash and cash equivalents	10	1,89,508		1,38,664	
(b) Short-term loans and advances	11	35,65,000		14,15,000	
(c) Other Current Assets	12	55,000		55,000	
			38,09,508		16,08,664
Total			52,22,603		16,49,653
Significant Accounting Policies	1				
Notes on Financial Statements	2 to 19				

As per our Report of even date

for Rao & Rao,
Chartered Accountants,
(Firm Reg. No. 003100S)

K. S. S. SRI VAMSI,
Partner.
(ICAI Mem No. 210745)
Hyderabad: 27-07-2014

FOR AND ON BAHALF OF BOARD

S. K. Sampath Kumar
Director

K. Najamanee
Director

Hyderabad: 27-07-2014

Figure 4

SKY-HI ENTERPRISES (INDIA) PRIVATE LIMITED
Balance Sheet as at 31st March, 2012

(Figures in Rs.)

Particulars	Note No	Figures as at the end of 31st March, 2012		Figures as at the end of 31st March, 2011	
I. EQUITY AND LIABILITIES					
(1) Shareholder's Funds					
(a) Share Capital	2	1,000,000		1,000,000	
(b) Reserves and Surplus	3	65,139		(2,845)	
			1,065,139		997,155
(2) Non-Current Liabilities					
(a) Deferred Tax Liabilities (Net)	4	2,498		–	
			2,498		–
(3) Current Liabilities					
(a) Other current liabilities	5	26,966		12,000	
(b) Short-term provisions	6	–		–	
			26,966		12,000
Total			1,094,603		1,009,155
II. ASSETS					
(1) Non-current assets					
Fixed assets					
(a) Tangible assets	7	32,141		50,100	
(b) Long term loans and advances	8	44,467		–	
(c) Other Non Current Assets	9	40,000		60,000	
			116,608		110,100
(2) Current assets					
(a) Cash and cash equivalents	10	57,995		829,055	
(b) Short-term loans and advances	11	865,000		15,000	
(c) Other Current Assets	12	55,000		55,000	
			977,995		899,055
Total			1,094,603		1,009,155
Significant Accounting Policies	1				
Notes on Financial Statements	2 to 19				

As per our Report of even date

for Rao & Rao,
Chartered Accountants,
(Firm Reg. No. 003100S)

K. S. S. Ggvvv

K. S. S. SRI VAMSI,
Partner.
(ICAI Mem No. 210745)
Hyderabad: 27-07-2012

FOR AND ON BAHALF OF BOARD

S.K Sampath Kumar
Director

K. Nagarjuna
Director

Hyderabad: 27-07-2012

Figure 5

Statement of Profit and Loss for the year ended 31st March, 2014

(Figures in Rs.)

	Note No	Figures as at the end of 31st March, 2014	Figures as at the end of 31st March, 2013
I. Income:			
Revenue from Operations	13	3,33,82,911	85,93,627
Total Revenue		3,33,82,911	85,93,627
II. Expenses:			
Cost of Material Consumed	14	2,32,62,056	74,95,430
Employee Benefit Expense	15	72,14,402	4,76,042
Depreciation	7	7,000	11,152
Other Expenses	16	11,35,878	3,95,827
Total Expenses		3,16,19,335	83,78,451
III. Profit before exceptional and extraordinary items and tax	(I - II)	17,63,576	2,15,176
IV. Exceptional Items		–	–
V. Profit before extraordinary items and tax	(III - IV)	17,63,576	2,15,176
VI. Extraordinary Items		–	–
VII. Profit before tax	(V - VI)	17,63,576	2,15,176
VIII. Tax expense:			
(1) Current tax		5,44,202	65,180
(2) Deferred tax		(624)	(1,057)
(3) Earlier year tax		–	–
Total Tax Expense		5,43,578	64,123
IX. Profit for the period	(VII - VIII)	12,19,997	1,51,053
X. Earning per equity share of Rs. 100 each Basic and Diluted (In Rs.)		24	3
Significant Accounting Policies	1		
Notes on Financial Statements	2 to 19		

As per our Report of even date

for Rao & Rao,
Chartered Accountants,
(Firm Reg. No. 003100S)

K. S. S. Ggvvv

K. S. S. SRI VAMSI,
Partner.
(ICAI Mem No. 210745)
Hyderabad: 27-07-2014

FOR AND ON BAHALF OF BOARD

S. K. Sampath Kumar
Director

K. Nagarjuna
Director

Hyderabad: 27-07-2014

Figure 6