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# Comprehensive Financial Statement Analysis with Reference to Kalkulam Vilavancode Taluk Agricultural Producers Co-Operative Marketing Society Limited, Marthandam

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## Abstract

*This study aims to analyze and appraise the financial status of Kalkulam Vilavancode Taluk Agricultural Producers Co-operative Marketing Society Limited, Marthandam for a period of 05 years with the aim of evaluating the overall financial performances, stability and efficiency of operation for the chosen Taluk during the period under study. The research is conducted on secondary data which is gathered from financial statements of the society like Profit and Loss account, Balance sheet etc. The financial condition of an organization is analyzed using various financial tools like profitability ratios, liquidity ratios, solvency ratios, comparative statement and trend analysis. The study highlights the financial changes in the society and clearly shows the strengths and challenges of the society. The research results proved to be very helpful for management and stakeholders in making their financial and operational decisions.*

**Keywords:** Financial Statement Analysis, Linear Prediction, Ratio Analysis, Solvency Ratio, Profitability Ratio, Trend Analysis.

## Introduction

A thorough financial analysis statement outlines the purpose, scope, and documentation required to be utilized during a financial analysis of a business. Combines the income statement, balance sheet and cash flow to emphasize the profitability, liquidity and solvency of the business and make strategic decisions, investment decisions or credit decisions. It is a tool to diagnose and convert data into actionable information. Financial analysis is another name for analysis and interpretation of financial statements. It refers to the establishing meaningful relationship between various items of

the two financial statements i.e. Income statement and Position statement. It determines financial strength and weakness of the firm. Hence analysis and interpretation of financial statements is very essential to measure the efficiency, profitability, financial soundness and future prospects of the business units.

The most important goal of any business is to make a good profit by investing money in the business. Financial analysis helps in ascertaining whether adequate profits are being earned on the capital invested in the business or not. It's also a good idea to be aware of how much they can afford to pay interest on. Comparable financial statements of past years can be drawn and the trend of the various expenses, purchases, sales, gross profits and net profit etc can be determined. Value of assets and liabilities can be compared and the future prospects of the business can be envisaged. Business trend along with other analysis will give information about the growth potential of the business. The analysis and interpretation of financial statement is an attempt to ascertain its significance and meaning and thereby the forecast to be made of the prospects of future earning, interest and debt maturities and the profitability of a sound dividend policy.

### **Literature Review**

The study of Christopher Glenn Caesar Waluyo et al (2025) explores the relationship between financial performance and ownership concentration, managerial ownership, and capital structure. Results suggest that both concentrated ownership and capital structure have significant impacts on firm profitability. In contrast, the managerial ownership does not significantly affect. This study is a strategic and operational performance analysis through SWOT approach. It examines the goals, business projects, assets, and problems of the society. The analysis focuses on areas of operational efficiency, member service delivery and marketing. In this study, Fartyal (2025) has done a detailed comparative study of the financial performance of Ashok Leyland Ltd. from the year 2019 to 2024. The research is done using secondary data which is taken from annual reports and financial database and using ratio analysis and trend analysis to analyze some key financial indicators including liquidity, profitability, and solvency. The analysis reveals that Ashok Leyland has consistently improved profitability and its long-term funding mix shows favourable improvement in solvency, which is an indicator of better operational efficiency. The study finds that the company has a good financial trend, but that there is still a need to enhance liquidity management to ensure financial stability and growth. The research shows that cash flow ratios can offer better dynamic liquidity and financial stability information. (Dimitra Seretidou, Dimitrios Billios et al, 2025) It highlights the importance of machine learning and sophisticated statistical models for improving predictions. The study finds that the traditional and cash flow ratios can be used together to provide a more complete evaluation. The study focuses on the financial statement analysis and how it can be used as an important tool to analyze the operations of a company and ascertain its sustainability in the long run. The results revealed that financial statement analysis is helpful to managerial decision making in terms of profitability, liquidity, stability and efficiency in operation of the business. It found that systematic financial analysis assists in investment decisions, enhances transparency in finances and results in sustainable growth of the organizations.

### **Objectives**

1. To analyze the financial statements to assess the company's financial performance and position.
2. Using historical financial data and linear predictive analysis, to recognize patterns in financial data and to predict the future sales of the business.

## Research Methodology

Analytical research is a research method that includes systematically gathering, analyzing, and interpreting data to make sense of it and come to conclusions. It includes understanding of relationships between variables and finding causes/ effects, not just describing information. Researcher use existing data for research activity. The analysis is focused on the material gathered and/or made available.

## Tools of Analysis

- Ratio Analysis
- Linear Prediction

## Data Analysis

### Ratio Analysis

A tool used to analyse the balance sheet and income statement of a company in order to gain insight into the company's liquidity, efficiency and profitability. It's not just one measure, but rather an analysis of a multitude of financial data on the business. Through ratio analysis, one can understand the strengths and weaknesses of the company's finances, and make comparisons over time. One of the key components of fundamental equity analysis is ratio analysis.

### Solvency Ratios

It is also known as financial leverage ratios and solvency ratios are ratios that compare a company's debt to its assets, equity, or earnings. These are used to assess the probability of a company being able to pay off its long-term debt and the interest on that debt in the long run.

### Debt Equity Ratio

Debt equity ratio is a financial ratio that indicates the financial leverage of a company, by comparing the total liabilities to the shareholder equity. The higher the ratio, the higher the financial risk; the lower the ratio, the lower the financial risk and the less dependence on debt financing.

**Table 1 Debt Equity Ratio**

Year	Debt Equity Ratio
2020-2021	2.02
2021-2022	0.03
2022-2023	0.03
2023-2024	0.03
2024-2025	0.02

**Source:** Annual Reports

The debt equity ratio decreased significantly from 2.02 in 2020–2021 to 0.02 in 2024–2025. This shows that over the years the organization has decreased its reliance on long-term borrowings and increased its shareholders' funds. The growing shareholders funds and stable or decreasing debt represents better financial stability, and lower financial risk.



**Chart 1 Debt Equity Ratio**

**Proprietary Ratio**

Proprietary ratio is a financial ratio that compares the company’s assets to its shareholders’ equity. It is used to measure the amount of equity financing a company uses to run its business and expand its operations. It’s a measure of company’s financial stability and long-term solvency.

**Table 2 Proprietary Ratio**

Year	Ratio
2020-2021	0.01
2021-2022	0.77
2022-2023	0.71
2023-2024	0.72
2024-2025	0.67

**Source:** Annual Reports

The company has improved its financial strength over the years as shown by the equity ratio. The ratio was very low at 0.01 in 2020–2021 signifying that there was little contribution from the shareholders and high dependence on external funds. It rose significantly in 2021–2022, however, to 0.77, indicating a significant increase in shareholder funds. There was little change in the ratio between 0.67 and 0.72 from 2022–2023 to 2024–2025, showing continued dependence on equity financing of assets.

**Profitability Ratio**

These ratios indicate the profitability that a company is able to achieve from its business activities.

**Gross Profit Ratio**

Gross Profit Ratio is a profitability ratio that is computed by dividing the gross profit (GP) by net sales. It indicates the company’s profit after working out its cost of revenues. It is the percentage of the revenue that is greater than the cost of goods sold.

**Table 3 Gross Profit Ratio**

Year	Gross Profit Ratio
2020-2021	4.38
2021-2022	12.44
2022-2023	10.40
2023-2024	9.51
2024-2025	11.21

**Source:** Annual Reports

The ratio in 2020-2021 was low at 4.38%, suggesting the presence of limited profit margins. It rose substantially to 12.44% in 2021-2022, which may be due to better cost control or higher pricing efficiency. The ratio decreased to approximately 10.40% and 9.51% during 2022–2023 and 2023–2024, respectively, indicating a slight rise in costs or a drop in margins. But in 2024–2025 it increased again to 11.21%, showing a recovery in profitability.

### Net Profit Ratio

The Net Profit Ratio (or Net Profit Margin) is a profitability ratio that shows the percentage of revenue that is left after subtracting all operating items, interest, taxes and non-operating costs. It assesses a business’s effectiveness, pricing and cost management.

**Table 4 Net Profit Ratio**

Year	Net Profit Ratio
2020-2021	1.84
2021-2022	1.96
2022-2023	1.82
2023-2024	2.09
2024-2025	2.74

**Source:** Annual Reports

It increased from 1.84% in 2020–2021 to 1.96% in 2021–2022, indicating better earnings relative to sales. This percentage dropped slightly to 1.82% in 2022–2023, but improved again in subsequent years. The ratio increased to 2.09% in 2023-2025 and to 2.74% in 2024-2025, indicating better cost control and overall efficiency.

### Linear Prediction

The estimation or prediction of the value of a dependent variable (Y) from the value of an independent variable (X) by a straightline relationship. A method of finding the relationship between two variables and predicting future or unknown values by fitting a linear equation to the observed data. It is useful for making predictions, interpreting connections and decisions based on data.

Based on the trend analysis, the projected net sales for the period 2025–2026 to 2029–2030 are expected to grow steadily from ₹34,27,99,634.56 to ₹38,51,61,317.04. The continuous rise points towards a steady growth in the market penetration and positive financial future of the society for the next 5 years. There are no sudden spikes or drops in the data, indicating that the cooperative society is operating efficiently and sustaining its growth rate.

## Results of the Study

The debt equity ratio has also decreased significantly from 2.02 (2020–2021) to 0.02 (2024–2025), reflecting a significant decrease in reliance on long-term debt, thus strengthening the financial stability.

- The proprietary ratio increased markedly from 0.01 during 2020–2021 to 0.77 during 2021–2022; and has held steady at 0.67 and 0.72 in the following years, indicating improved financial strength and greater shareholder contribution.
- The gross profit ratio improved from 4.38% in 2020–2021 to 12.44% in 2021–2022, before declining to 9.51% in 2023–2024 and recovering to 11.21% in 2024–2025, indicating fluctuations in profit margins and operational efficiency.
- The net profit ratio improved gradually from 1.84% in 2020–2021 to 2.74% in 2024–2025, indicating that their earnings have grown, cost control has improved, and operational efficiencies have increased over the years.
- The linear prediction analysis showed that net sales would increase from ₹34,27,99,634.56 in 2025–2026 to ₹38,51,61,317.04 in 2029–2030, suggesting a positive trend and a potentially bright financial future.

The following suggestions arose from the study:

- The company should continue to keep its long-term debt ratio low and strengthen shareholders' funds to enhance stability and decrease financial risk for the company in the future.
- Management needs to take more stringent cost control and planning decisions to reduce the volatility of profitability and improve profit margins over the years.
- Financial ratios and performance indicators should be monitored on a regular basis to help flag potential problems early on and allow corrective measures to be implemented to improve financial management.
- The company should concentrate on widening its market, enhancing the quality of its product and/or services, and finding new ways to boost sales and customer satisfaction.
- Adequate budgeting, financial forecasting and strategic investments should be implemented to ensure sustainable growth, efficiency and long-term profitability.

## Conclusion

Based on the findings of the study, it can be concluded that the company is in a better financial performance over the study period. The decrease in the long term debt and the rise in the fund of shareholders' equity reflect increased financial stability and decreased risk. The profitability and net profit ratios also improved overall, indicating good cost management and operating efficiency. The linear prediction analysis shows that sales are projected to continue to grow in the future and have a positive financial future. The company has a sound financial position and has good potential for continued growth in the future.

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