CHAPTER VI :- CONCLUSIONS AND SUGGESTIONS.

After having completed,with the computation and analysis and interpretation of various ratios to the financial statement of Unique Industries,certain conclusions can be drawn in the form of above work.They can be stated as follows:-

A)CONCLUSIONS:

VI.1:- Liquidity Ratio

Liquidity ratios measure the firms ability to meet it's current obligations.In our study we have taken into consideration two ratios.

.a)Current ratio
b)Quick ratio.

a)Current ratio:-Current ratio measures the short term financial health of a business concern.As considered,the current ratio of Unique Industries is good for all the five years study.Considering the overall standard ratio at 2:1 , the average ratio of Unique Industries comes to 3:3:1,which reflects a safe and sound liquid position.

b)Quick ratio :-It is a more stringent form of liquidity measurement of a concern.The quick ratio of Unique Industries is good throughout the five years period of study.The average of it comes to 2:6:1.The standard ratio stated is 1:1 which shows that the quick ratio of Unique Industries is good.The difference in ratio is the result of stock exclusion from current assets while computing quick ratio.

Liquidity ratio are one of the important measures of analysing Working capital . Both the ratios taken together we can conclude,that Unique Industries enjoy a good liquid position.
Both the ratios are above the standard ratios.But the composition of current assets needs to be improved.

VI.2:- **Solvency Ratio:-** Solvency ratios help the evaluation of financial strength and viability of enterprise.Three ratios are compute under this viz:

a)Debt equity ratio.
b)Proprietor's fund ratio.
c)Interest coverage ratio.

a) **Debt equity ratio**:-A suitable debt equity ratio,helps increment in owner's earnings.Debt equity position of Unique Industries is not satisfactory.The average ratio for five year period is 2.4:1 which is below standard. Such a high ratio may prove risky to the concern's solvency position. This indebtness of Unique Industries,creates a charge on it's profit's creating higher claim of creditor's over it's assets.

b) **Proprietor's fund ratio**: On an average the ratio comes to 4.4% from 1997 to 2001.This ratio is very low which indicates a high risk to creditors and proprietor's as well.If the ratio is not improved of Unique Industries long term solvency is doubtful.

c) **Interest coverage ratio**:The interst charges of Unique Industries are very high as with the high debt obligation's.They take much of the profit's of the industry concerned.The average ratio is 0.9 which is very low.

Solvency ratio's measure the contribution of finance by owner's and external contributor's.Unique Industries show a weak solvency position.

VI.3:-Profitability ratio:- Profitability is the measure of a business concern's efficiency. Profitability ratio's throw light on concern's activities and abilities to generate profit.Our study consisits of three profitability ratios:-

a)Gross profit ratio.
b)Net profit ratio.
c)Return on asset ratio.

a)**Gross profit ratio**:- A constant ratio is seen in case of Unique Industries.Overall a good gross profit ratio is revealed by Unique Industries.

b)**Net profit ratio**:-Profit position as revealed by the ratio computation,shows that the profitability of the concern needs improvement,A negative ratio esulted in last year of study shows a weak profitable position.

c)**Return on asset ratio**:-Ratio computstion shows a decline in Unique Industries capacity of proper asset management.Though the profits are ona increasing trend for the first four year's of the study they are not sufficient towards efficient asset management.Net loss in the year 2001 reveals a weak fund management position.

An improvement in Unique Industries profitability is necessary.

VI.4:-Turnover ratio:- Turnover ratio's consist of :

a)Inventory or Stock turn over ratio.
b)Debtor's turnover ratio.
c)Fixed asset turnover ratio.

a) Inventory or Stock turn over ratio:- The ratio depicted of Unique Industries show a increase in inventory investment which is not exactly in proportion with the sale's increase. This has decreased the overall inventory ratio.

b)**Debtor's turnover ratio:-** Unique Industries show a low debtor's turnover ratio,a high average collection period ,which suggests a liberal credit policy of Unique Industries.

c)**Fixed asset turnover ratio**:-The overall fixed asset ratio of the concern is not good.Thefixed asset's ratio suggest's an improvement in fixed asset management.However aninconsistent depreciation policy of Unique Industries makes the conclusion imperfect.Above turnover ratio's reflect blocking of fund's in asset's which may affectIt's profitability in the long run.

B)-SUGGESTIONS:-

1)The liquidity position of Unique Industries as reflected by current and quick ratio is sound.But an improvement in it's quality of current assets may lead to a more better liquid position of the concern.They should try to bring down it's stock and debtor's contents and concentrate more on increasing it's cash balance.

2) The solvency position of Unique Industries revealed by the ratio computation is weak.It should try to reduce it's external debts and bring in more of internal contribution towards the funds of the concern.This will also reduce it's interest payment obligations which will improve it's profits and increase the interst coverage ratio.

3) The turnover ratios of Unique Industries require improvement. Blocking of funds in inventories and debtor's reduced it's profitability.They should execute measures to reduce the unnecessary blocking of funds in inventory and debtor's. A change is required in it's liberal credit policy.They should try to bring down the collection period to the industry norms of sixty days.This may improve it's current ratio in a proper direction by making more cash available thereby improving the profit position as well.

No suggestion [illegible]