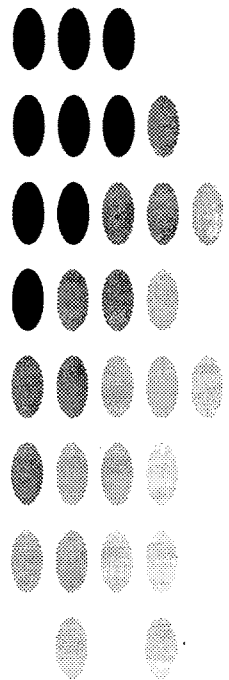


# Chapter I

Introduction  
and  
Research  
methodology



# **Chapter I**

## **INTRODUCTION AND RESEARCH METHODOLOGY**

### **1.1 Introduction**

#### **Cashew Industries**

The Portuguese were the first western people sighting the cashew tree. They invaded Brazil in the 1500's. Eventually, came to India and introduced cashew plant. India grew there own cashew tree in Kerala and exported cashew to different parts of the world. In KONKAN cashew processing is one of the main agricultural activities and enterprises also, in rural and urban areas many families are involved in cashew nut processing and for women it is a major source of income.

Through the cashew-processing units is providing more employment opportunities to the workers and export earning to the government, cashew-processing units are facing number of problems. Financial performance of many cashew-processing units is not satisfactory, which leads to insufficient profits. In the present study an attempt is being made to study the financial position of cashew processing unit, for this purpose the "LAXMI VISHNU AND COMPANY " in Malvan, Dist- Sindhudurg, Maharashtra state has been selected.

Cashews are one of the few fruit crops normally grown from seed, and few improved cultivators exist, at least in commercial production. Among the agri-horticultural commodities has exported from India, cashew ranked second position during the year 2001-2002. India could export 97,550MT of cashew kernels valued at Rs. 1776.80crores. USA, Nether-land, UK, Japan, UAE, France, Canada, Saudi-Arabia, Singapore, Italy, German fed, Republic Austria, Israel, and Spain are the main international buyer of Indian cashew. India has the largest acreage of cashew cultivation, which has confined mainly to the peninsular areas. It has grown in Kerala. Karnataka, Goa, and Maharashtra

along the west coast and Tamil Nadu, Andhra Pradesh, Orissa, and west Bengal along the East coast.

Presently in India cashew occupies an area of 7.70 lakh hectares in the country as on 2002-2003 with a production of 5.00lakh M. tones. Of these 2lakh acres plantation, developed from the beginning of 8<sup>th</sup> plan alone, is with superior clones of yielding varieties. It generates employment in the processing and agrarian sector employing over 3 lakh persons with 95% of them being women.

### **The Frame Work of Financial Analysis**

Business enterprises are create for achieving one or more objectives, profit being the most dominant among all the objectives. In order to achieve the objectives it is necessary to have effectiveness and efficiency in the business, which largely depends on resources available and their effective utilization.

A firm communicates financial information to the user through financial affairs, organized systematically. The term “financial statement” refers mainly to two statements viz. Income statement and financial statement. Income statements are generally prepared at the end of the accounting period i.e. year-end. These statements are an extract or summary of the various ledger accounts. Income statement shows trading result i.e. Profit and Loss earned during the year, where as Balance sheet shows financial position as on the last date of trading period.

The term financial statements nowadays is being used in a wider sense and includes a statements of retained earnings and a fund-flow statements reflect “a combination of recorded facts, accounting conventions and personal judgments and conventions applied affect them materially”

The management needs to know the financial strength of the business, liquidity and solvency position of the business; its earning capacity, trends and future prospects. To serve this purpose the figures recorded in the financial statements are required to re-arranged and analyzed in such a manner that they become easily intelligible to the management personnel, who may not be expert in accountancy.

Analysis is the process of critically examining in detail accounting information given in the financial statement. For the purpose of analysis, individual items are studied, their interrelationship with the help of different techniques or tools. In other words financial analysis attempts to unveil the meaning as to assist the management in the formation of sound operating financial policies.

Interpretation is the drawing of inference and stating what the figures in the financial statements really mean. Interpretation is not an easy job. Interpretation must have experience, understanding and intelligence to draw correct and reliable conclusions from the analyzed data. Thus, analysis and interpretation are closely related. Interpretation is not possible without analysis and interpretation has no value without interpretation. "Analysis" is the simplification of the data incorporated in the financial statements, where as, "interpretation" is explaining the meaning and significance of the data simplified.

## **1.2 Selection Of Problem**

Efficient management of any organization is essential for its survival and growth. This is particularly true for all the small-scale organization or industries like cashew industry. The management, shareholders, depositors and other beneficiaries always seek answer' about the financial position. The problem has selected with a view to Study the financial position of thee unit and to find out the present position, problems and prospects. The researcher has selected cashew industry for study with the Laxmi Vishnu and Company as sample unit. The unit has good reputation in Malvan Taluka.

## **1.3 Scope Of The Study**

Study has conducted with LAXMI VISHNU AND COMPANY MALVAN, as Sample unit. The scope is therefore limited to the financial management of the company specific company for the period of 2003-2004 to 2005- 2006

## **1.4 Methodology**

Methodology means the method used to collect data for completing study and achieving the objectives of study researcher used both primary and secondary data to collect information regarding the study.

Use of graphs and charts will made; use of computer will made for analysis personal discussions with official will also made as and when required.

### **Data Collection**

#### **a. Primary Data**

- Primary data means first hand information which was collected through the interviews conducted with the officials of the company. This is an oral type of enquiry and information sought is used for analysis and interpretation

#### **b. Secondary Data**

The secondary data has collected through published information/statistics, company records, balance sheet /statements etc. The library of Shivaji University and other literature on cashew industry was the source of secondary data.

### **Data Analysis**

In this study, data and the information collected about the problem, was collect from the industry and it has been analyzed by using the accounting, costing and statistical tools of analysis. For analyzing, the data following tools of financial analysis were select.

#### **1) Common-size statement**

- a. Common-size Income statement
- b. Common-size Balance sheet

#### **2) Comparative statement**

- c. Comparative income statement
- d. Comparative Balance sheet

### 3) **Trend analysis**

- e. Income statement
- f. Balance sheet

### 4) **Ratio analysis**

In ratio analysis here, following ratios have selected for calculating the financial performance of Laxmi Vishnu and co. Malvan

#### A) Short term solvency ratio / Liquidity ratio

- a. Current ratio
- b. Quick ratio
- c. Cash position ratio

#### B) Long-term solvency / Leverage ratio

- a. Proprietary ratio
- b. Fixed asset ratio
- c. Debt to equity ratio
- d. Ratio of current asset to proprietors

#### C) Activity / efficiency ratio

- a. Debtors turn over ratio
- b. Total asset turn over ratio
- c. Creditors turnover ratio
- d. Stock turn over ratio

#### D) Profitability ratio

- a. Gross profit to net sales ratio
- b. Gross profit to total asset ratio
- c. Net profit to net sales
- d. Operating ratio

## 1.5 **Objective Of Study**

1. To review the development of cashew industry briefly in Malvan taluka
2. To present the profile of Laxmi Vishnu and co. Ltd. Malvan
3. To present theoretical frame work of financial analysis

4. To assess the present and future earning capacity and/or profitability of the company
5. To assess long term liability to its funds

### **1.6 Limitations Of The Study**

- 1 The study is completely dependent on the data and documents given by the company.
- 2 Difficulty in obtaining confidential data
- 3 The time factor has restricted the scope of this study

### **1.7 Tital Of The Study**

“FINANCIAL ANALYSIS OF LAXMI VISHNU & CO. MALVAN”.