



CHAPTER I

INTRODUCTION & METHODOLOGY

CHAPTER - I

INTRODUCTION AND METHODOLOGY

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1.1 INTRODUCTION:-

In 1949 the successful establishment and operation of the Pravara co-operative sugar factory in Maharashtra state attracted attention of the government of India and since then sugar factories are being established in co-operative sector. These co-operative sugar factories play vital role in the social, economic development of the country. Huge amount of funds are invested in this sector, for its establishment and development of sugar factories and other industries based on the by products. These co-operative sugar factories mobilize the funds of sugarcane growers i.e. from farmers and owned, managed and run by the farmer members.

Co-operative sugar factories in Maharashtra state occupies pride place among the sugar industries of the country, since 1949 there were 186 co-operative sugar factories operating in Maharashtra.

Shri.Chh.Shahu.Sahakari Sakhar Karkhana Ltd. Kagal,Dist- Kolhapur has been operating since 1980. The total share capital of the Karkhana is Rs.11, 20, 36,457 and the number of Producer Members increased from 12927 in 2002-03 to 14927 in 2007-08 and Non Producer Member from 291 to 407. The amount of reserve fund is Rs. 6, 15, 62,123.

After having achieved some sort of financial stability it has increased crushing capacity from 1250 TCD to 2500 TCD in 1994-95 and its second expansion from 2500 TCD to 3500 in 1999-00.

This Karkhana has also established industries based on by- product like Distillery project in February 2002 with total investment of Rs. 12 Crores.

This project is installed by 'Praj Industry' with the modern technology and machinery. This is the first project in Maharashtra which is based on 'vacuum distillation', though the capacity of this project is 45,000 liters per day.

Therefore researcher has selected this factory as a symbolical example for examining the financial solvency profitability position of the Karkhana.

1.2 STATEMENT OF THE PROBLEM:-

Financial statements are prepared for the purpose of providing periodical review. These statements are widely used by different parties to satisfy their objectives. Management needs this information for taking decision and appraising performance, creditors are interested in earning capacity and performance.

These statements though certified by a qualified auditors as a guarantee to all those who have put their money into the business that their funds are in tact and utilized fails to disclose by themselves certain significant fact about the business. However, a better understanding the position and performance of the business may be obtained by analysis and interpretation of financial statement. Analysis is largely a study of relationship among the various financial factor in a business as disclosed by a single set of statement and a study of the trend of these factors as shown in a series of statements. Analysis of financial statements of Shri Chh. Shahu Sahakari Sakhar Karkhana Ltd. Kagal is studied for the period of 6 years to determine the meaning and signification

of the financial statements and to ascertain the prevailing state of affairs and reasons therefore.

1.3 OBJECTIVES OF THE STUDY:-

The main objectives of the present study are as follows:-

- 1) To study the profile of Shri. Chh. Shahu Sahakari Sakher Karkhana Ltd.Kagal
- 2) To Analysis and examine the financial statement with the help of the ratio analysis to diagnose strengths and weakness of the Karkhana.
- 3) To study the solvency position, profitability position of the Karkhana.
- 4) To study investment pattern in various assets.
- 5) To summaries the study and provide suggestion at various stages whenever important conclusions are drawn through present analysis.

1.4 SCOPE OF THE STUDY:-

The scope of the study is as follows:-

The ratio analysis is not confined to the financial statement for the year 2006-07 but also the statement for 2001 - 02, 2002 - 03, 2003 - 04, and 2004- 05, 2005-06, are analyzed to consider the trend of the ratio. Financial statements are analyzed not only to study of the financial position of the Karkhana but it an attempt will be made to evaluate performance against various standard and financial position of factory is analyzed from the view point of-

- (a) Liquidity position
- (b) Long term solvency
- (c) Turnover Analysis
- (d) Profitability Analysis and
- (e) Expenses pattern

1.5 IMPORTANCE OF THE STUDY:-

The financial statements are of important to the management. The management wants to know the financial strength of the Karkhana, liquidity and solvency position of the Karkhana, its earning capacity, trends and future prospects. To serve this purpose figures recorded in the financial statement are required to be rearranged and analyzed in such a manner that they become easily intelligible to the management.

1.6 METHODOLOGY OF THE STUDY:-

For financial problem like analysis and Interpretations of financial statements there can be only one approach that is collection of the reliable data and analyzing and interpreting it by applying correctly, skillfully the standard formula. The data for the present study has been collected through various sources the primary data & secondary data. This study mainly depends on secondary data.

Primary Data:-

Primary Data is the actual information which is received by researcher for study from the actual field of research. This data will be collected by interview and observation.

Secondary Data:-

Secondary data is the information which is collected indirectly; such data will be collected generally, from published records and annual reports of the factory of past six years, Record of Register of Cooperative Societies Kolhapur District. Huge and complicated calculations are involved in valid in financial analysis. There were calculations made with the help of calculator.

1.7 LIMITATIONS OF THE STUDY:-

This study is undertaken as part of the partial fulfillment of the degree of Master of Philosophy in Commerce and Management it has following limitation:-

- 1) This study is limited only to one factory from among the cooperative sugar factories.
- 2) The study is mainly concerned with analysis and interpretation of financial statements through ratio analysis technique.
- 3) The period of the study is limited to six years from 2001-02 to 2006-07.

1.8 CHAPTER SCHEME:-

The present study is completed in five chapters:-

I INTRODUCTION AND METHODOLOGY

This chapter is devoted for discussing introductory aspect of sugar industry. The objectives of the study, methodology and mode of data collection are discussed.

I HISTORICAL BACKGROUND OF SUGAR FACTORY

In this chapter the profile of the unit covered under study is given in brief.

II THEORETICAL FRAMEWORK OF FINANCIAL STATEMENT

This chapter deals with theoretical frame of the study, meaning, objective and limitations of financial statements, meaning and methods of analysis and interpretation of financial statements, method of financial analysis and its limitations, uses etc.

IV ANALYSIS AND INTERPRETATION OF DATA

This chapter comprises data analysis and interpretation. The technique of ratio analysis is used.

V CONCLUSIONS AND SUGGESTIONS

In this chapter the researcher has drawn the conclusion and made some suggestions based on the study.