

CHAPTER -I

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- I N T R O D U C T I O N -

1.1 SELECTION OF THE PROBLEM:

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 Socio. Economic development of the country. Huge amount of funds are ~~invested~~ invested in this sector, for its establishment and development of Sugar Factories and other industries based on the by-product. These co-operative sugar factories mobilise 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 are 86 co-operative sugar factories operating in Maharashtra.

The Rajarambapu Patil Sahakari Sakharkhana Ltd., Rajaramnagar Post Sakharake, Dist. Sangli has been operating since 1969. The total share capital of the Karkhana is Rs. 114,86,994 and the number of producer members increased from 2504 in 1970-71 to 8659 in 1984-85 and co-operative society share-holders from 60 to 1150. The amount of Reserve Fund is Rs. 734,29,340 .

For its initial establishment and development it had taken a long term loan of Rs.150 lakhs from Maharashtra State Co-operative Bank Ltd., Bombay. This said loan has repaid with 14 equal instalments at the end of 1984-85.

After having achieved some sort of financial stability it has increased its crushing capacity from 1250 CTD to 2000 CTD in 1978.

This Karkhana has also established Industries based on by-products like distillery in 1975 with total investment of Rs.65 lakhs and acetone in 1983. For effective and speedy management it has installed a computer on 27th August 1985.

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

## 1.2 DEFINITION 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 decisions and appraising performance, creditors are interested in solvency and financial position. Investors 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 utilised fails to disclose by themselves certain significant facts about the business. However, a better understanding the position and performance of the

business may be obtained by analysis and interpretation of financial statement. Financial statement analysis is largely a study of relationship among the various financial factors in a business as disclosed by a single set of statements and a study of the trend of these factors as shows in a series of statements.<sup>1</sup> Analysis of financial statements of Rajarambapu Patil Sahakari Sakhar Karkhana Ltd., Rajaramnagar Po. Sakharale Dist. Sangli is studied for the period of five years to determine the significance and meaning of the financial statements and to ascertain the prevailing state of affairs and reasons therefore.

### 1.3 SCOPE OF THE STUDY:

The scope of the study is as follows.

The ratio analysis is confined to the financial statement for the year 1984-85 but also the statements for 1980-81, 1982-82, 1982-83 and 1983-84, are analysed to consider the trend of the ratio.

financial statements are analysed not only to study the financial position of the Karkhana, but it comprises the evaluation of the factories performance against various standard ratio and financial position of factory is analysed from the view point of -

- (a) Short term solvency
- (b) Long term solvency
- (c) Turnover analysis
- (d) Profitability analysis and
- (e) Expenses pattern

#### 1.4 OBJECTIVES OF THE STUDY:

The main objectives of the present study are as follows:

- 1) To analyse and examine the financial statements with the help of ratio analysis to diagnose the strength and weakness of the Karkhana.
- 2) To study the solvency position, profitability position of the Karkhana.
- 3) To study assets utilisation position of the Karkhana.

#### 1.5 METHODOLOGY:

For financial problem like the Analysis and Interpretation of Financial statements there can be only one approach that is collection of the reliable data and analysing and interpreting it by applying correctly skillfully the standard formula.

In order to collect the reliable data Annual Report from the year 1980-81 to 1984-85 were secured from the finance department of the Karkhana. Whenever necessary personal discussions with factory officials *were held and they are* about certain matter also taken into account.

Huge and complicated calculations involved in financial analysis were made with the help of calculator. This has helped in achieving flawlessness to the maximum.

#### 1.6 LIMITATIONS OF THE STUDY:

This study is undertaken as part of the partial fulfilment of the degree of Master of Philosophy



in Commerce & Management and it has following limitations.

- 1) This study is limited only to one factory from among amongst the co-operative sugar factories.
- 2) The study is mainly concerned with analysis and interpretation of financial statements through ratio analysis only.
- 3) The period of the study is limited to five years from 1980-81 to 1984-85 .
- 4) Terms which are measured in money value are taken into consideration.
- 5) Some ratio which are not applicable to the factory are not calculated e.g. Debtors Turnover Ratio.

#### 1.7: CHAPTER SCHEME:

The present study is divided into five chapters.

The first chapter is the introduction which states selection of the problem, definitions of the problem, Scope of the study, Objectives <sup>and</sup> ~~of~~ aims of the study, limitation and scope and methodology of the study.

The second chapter deals with history and growth of sugar factories in India and <sup>in</sup> Maharashtra. Profile of Rajarambapu Patil Sahakari Sakhar Karkhana Ltd., Rajaramnagar History and growth, aims and objectives of the Karkhana, its operational efficiency and other development of the Karkhana. Its operational efficiency and other developments.

Third chapter deals with Theoretical Frame of the study, meaning, objectives and limitations of financial statements, meaning and methods of analysis and

interpretation of financial statements, method of financial analysis and its limitations, uses, ~~and its~~ ~~limitations~~ .

Fourth Chapter goes with presentation of work through ratio analysis.

Fifth Chapter covers conclusions and suggestions.

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## ☒ R E F E R E N C E S ☒

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