Internship Report

On

"Financial Ratio Analysis of United Shakti Limited"

Supervised By:

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Daffodil International University, Dhaka

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LETTER OF TRANSMITTAL

03 November, 2019

Umme Kulsum

Lecturer, Department of Business Administration

Faculty of Business & Entrepreneurship

Daffodil International University

Subject: Submission of internship report on “Financial Ratio Analysis of United Shakti Ltd”.

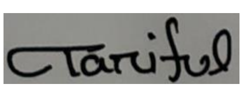
Dear Madam,

It is indeed a great pleasure for me to be able to hand over the result of my hardship on conducting the paper of “Financial Ratio Analysis.” I have tried to make it more informative and realistic. I tried my level best for preparing this report. The information of this report is mainly based on information collected through company financial performance. Some other details were gathered from the proprietor of that company. I gave my hundred percent for making this paper come together. I think that I have done it and it will be able to fulfill your requirements.

I therefore pray and fervently hope that you will find this plan worth reading. Please feel free for any query or clarification that you would like me to explain. Hope, you will appreciate my hard work and excuse the minor errors.

Thanking you for your cooperation.

Sincerely yours,



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Md. TarifulAlam

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Program: MBA

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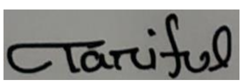
DECLARATION OF THE STUDENT

This is Md. Tariful Alam, the student of Masters of Business Administration (MBA) bearing **ID No-172-14-757**, Major in Accounting from Daffodil International University, Dhaka, would like to solemnly declare here that an internship report on “Financial Ratio Analysis of United Shakti Limited” has been authentically prepared by me. While preparing this internship report, I did not breach any copyright act intentionally. I am further declaring that, I did not submit this report anywhere for awarding any degree, diploma or certificate.



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Md. Tariful Alam

ID: 172-14-757

Program: MBA

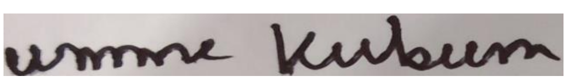
Major in Accounting

Daffodil International University

SUPERVISOR’S FORWARDING

This is to certify that the internship report on **“**Financial Ratio Analysis of United Shakti Limited**”** has been prepared by Md. Tariful Alam, ID No-172-14-757under my supervision. He has completed this report for the award of the degree of **Masters of Business Administration (MBA)** major in Accounting from Daffodil International University, Dhaka. To the best of knowledge and as per his declaration, any part of this report has not been submitted for any degree, diploma or certificate.

During the program he was sincere, proactive and attentive to his work and I wish him every success in his life. Therefore, he is permitted to submit the internship report.



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(Umme Kulsum)

Lecturer, Department of Business Administration

Faculty of Business & Entrepreneurship

Daffodil International University

ACKNOWLEDGEMENT

First of all I want to give thanks to Almighty **Allah** for giving me the opportunity to complete this report. After that I would like to express my gratitude to my honorable instructor **Umme Kulsum, Lecturer for BBA Program, Department of Business Administration, Daffodil International University.** Her advice helped me a lot to prepare this report and she never hesitate to give me valuable time while preparing the report whenever I needed.

I want to give special thanks to **Nazmul Hussain Polash,** Accounts Manager who gives me valuable information about Financial Performance to complete my report on “Financial Ratio Analysis.” I also warm thankful to **Md. Tajmir Alam,** Managing Director of **United Shakti Limited.** He also provides me such information regarding this report.

My special thanks to my friends for their help and support. I also like to thanks my parents for their consistent support and for giving me the opportunity to prove myself.

Executive Summary

As a part of academic requirement and completion of MBA program, I have been assigned to complete internship report on “Financial Ratio Analysis of United Shakti Ltd.” under the guidance of UmmeKulsum, Lecturer of Department of Business Administration, Daffodil International University.

During four months of Intern in a reputed company like “United Shakti Ltd.” I have tried my level best to go through all their accounts activities to me.

The report starts with a general introduction “United Shakti Ltd” As well as its purpose, scope and limitation. Then this report proceeds to the preliminary studies about “United Shakti Ltd.” related concern of United Tel to provide total power solution to private industries, government and semi-government organizations. This report has shown the vision, strategic goal and principles of it. Afterward here discuss about United Shakti Ltd.’s different Divisions and Department’s long term goal. Then the report proceeds with the ratio analysis, where the job which has been discussed.

After that I continue on to my main focus of the report-“United Shakti’s Financial Ratio Analysis” describing the different steps of it. The first part is to describe what is the meaning of financial ratio, types of financial ratio, also the limitations of financial ratio and so on. The second part will be discussed about the difference kinds of financial ratio and how it makes impact on financial performance of United Shakti Ltd.

Finally, the findings about the study is mentioned and what necessary steps to be taken as recommendations for solving the limitation of the financial performance.

TABLE OF CONTENTS

Chapter One

Introduction of the study

1.1 Introduction

This is an internship report for Masters of Business Administration (MBA) course requires a four months attachment with an organization followed by a report assigned by the supervisor in the organization and endorsed by the faculty advisor. I took the opportunity to do my internship as an intern in an Electrical Company which is one of the best Power Solution and Service Provider Company in Bangladesh, “United Shakti Ltd.”.

The report is based on “Financial Ratio Analysis of United Shakti Ltd”: A Review of financial performance of this company. The purpose of this report is to identify the drawbacks of financial activities and possible remedies to overcome the lacking of current proceedings. United Shakti Ltd. is one of the largest power solution and service providing companies in electrical industry that has covered the maximum market share nationwide. Financial Statement is a crucial and integral part of any company. A company’s ultimate profit absolutely depends on how these elements of financial statement are analyzed and applied. Financial Statements generally fall into some controllable categories which are Statement of Financial Position, Statement of Comprehensive Income, and Statement of Changes in Equity, Statement of Cash Flows, and Accounting Policies.

Financial Statements are strongly followed by United Shakti Ltd. to get best outcomes over its financial position.

1.2 Background of the Study

The main purpose of this internship is to get the student exposed to the job sector and this study is a partial requirement of the internship program of MBA curriculum at the Daffodil International University. As an Intern, here in United Shakti Ltd. has been worked for four consecutive months. So according to the procedure have to submit a Report. Thus, the report covers about **“Financial Ratio Analysis of United Shakti Ltd.”**.

1.3 Scope of the Report

This report is an attempt to analyze the every **Accounting and Financial Activities and Policies** of the United Shakti Ltd. This study focuses on the **Financial Ratio Analysis of United Shakti Ltd**. This report has the crisp details of the procedure of the **Ratio Analysis** along with that a relevant stream of discussion has been made on the theory and policy issues relating to **Financial Statement.**

1.4 Objectives of the Study

Main objective

The main objective of the study is to determine the financial performance by analyzing the ratio statement of United Shakti Ltd.

Specific Objectives

- To determine the theoretical modes of different ratios and their periodical performance.
- To understand financial goal of United Shakti Ltd.
- To identify problems related to financial performance.
- Analyzing the different financial ratios to suggest some recommendation on that result.

1.5 Methodology of the Report

Report has been prepared on the basis of experience gathered during the period of internship. I have presented my experience and finding by using different chart and tables. This report data have been collected from two sources:

Primary sources:

- Practical knowledge from the experience of the given work.
- Direct face to face conversation with the accounts officer.
- Also talking with existing employees to get knowledge about the financial position

Secondary sources:

- Corporate website and articles.
- Various papers and handbooks issued by United Shakti Ltd.
- Internal and external audit reports.
- Annual reports and Brochures of United Shakti Ltd.

1.6 Limitation of the Report

The limitation of the report includes the following:

Lack of time:

One of the major limitations of the study was limited time. The allocation of the study was inadequate. Because in this short time one intern student had to do both attend the office and inform to the supervisor. For the scarcity of time I could not communicate largely with concern persons and authority, which would be very helpful for preparing, the report could be made much more comprehensive.

Scarcity of adequate information:

Scarcity of adequate information caused hamper in report generation. Primary and secondary data was not up to date to deal with.

Insufficient knowledge:

Insufficient knowledge about electrical industries also caused hamper in the long run.

Low proficiency in report preparation:

Lack of self-knowledge concerning report preparation, was also a limiting factor in preparing a better report.

Improper Data:

The secondary data that have been observed was in a form, which was not helpful for this study.

Chapter Two

Company Background and Accounting Policies

2.1 Company Background

United Shakti Limited (the Company) was incorporated on 29th day of June 2008, as a Private Limited Company by shares under the Companies Act, 1994 and commenced its commercial operation in the year 2008. At this moment this company address is House#16, Road#13, Block#G, Niketon, Gulshan-1, Dhaka-1212The registered address of the Company is at 4 Mohakhali C/A (4th Floor), Dhaka-1212.

Nature of Business:

The Company is engaged in the business of Manufacturing, supply, Installation and maintenance of all kinds of Electric Transformers under agreement and or work order .United Shakti Limited was formed Power Solution and Service providing company in Bangladesh. All governing persons of the company are highly qualified, professional, experienced engineers in Power and Telecommunication field since their beginning of the career.

Vision:

Our vision is “To be the number one Power Solution Provider in Bangladesh by offering a complete range of product and services both for individuals, home users, the local private, government, non-government and foreign organizations.”

Mission:

The mission of the company is to concentrate total solution experience and smoothly operated power infrastructure of the private and government sector in Bangladesh. The company is committed to provide quality services for their customers maintaining necessary standard (ITU/ESTI/IEEE), government rules and regulations. The company committed to deliver quality and standard for its customer.

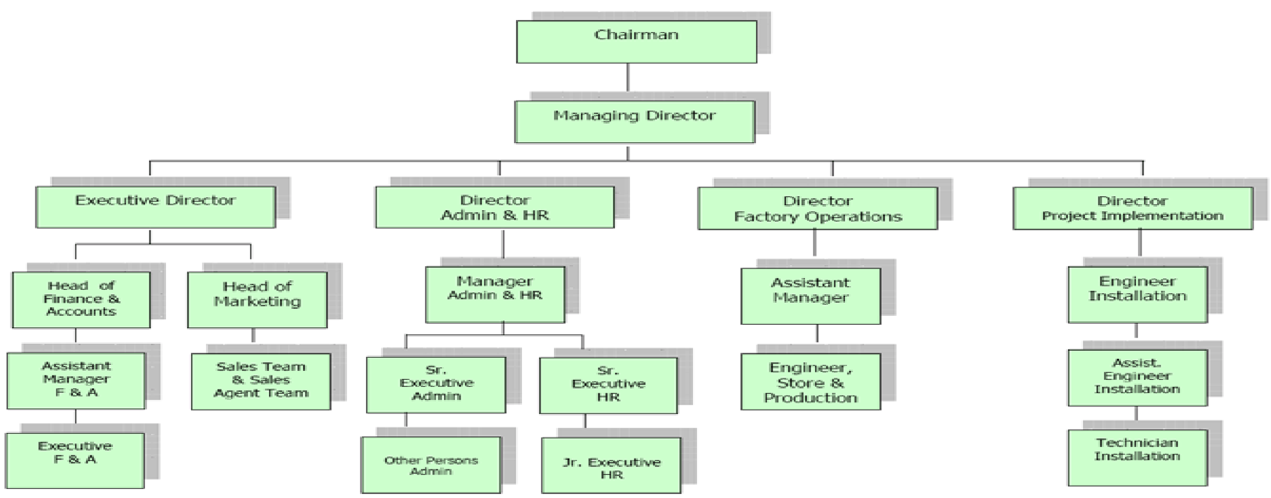
Objectives and Goals:

- Provide quality services to the customers and ensure reliable power infrastructure to support uninterruptible operation of the company.
- Maintain improvement of services with the growth of customers. Encourage continuous technical development and employment opportunities
- Ensure human resources development to meet the out of the box challenges of the time.
- Be an outstanding company having highly motivated teamwork and sprit.
- The Goal is "To capture 20% of Market Share in similar field within Three years of business operation of United Shakti"

Chain of Command:

The organization is headed by its Chief Executive designated as the Managing Director entrusted with overall responsibilities of business direction of the organization and leading dynamically towards the attainment of its Vision, Mission and Goal. In attaining the above mission, the MD is assisted by four general managers United Shakti Ltd. has established a strong and formidable sales channel, which consists of direct dealers and its own sales force.

Organization Structure:



2.1 Accounting Policies

Statement of Compliance:

The financial statements have been prepared in accordance with the International Accounting Standards (IASs) and International Financial Reporting Standards (IFRSs) as adopted in Bangladesh by the Institute of Chartered Accountants of Bangladesh as Bangladesh Accounting Standards (BASs) and Bangladesh Financial Reporting Standards (BFRSs) respectively, Companies Act, 1994 and other applicable laws and regulations.

Basis of Measurement:

All the elements of financial statements have been measured on "Historical Cost" basis which is one of the most commonly adopted basis as provided in "The Framework for the Preparation and Presentation of Financial Statements" issued by the Bangladesh Accounting Standards (BAS).

Responsibility for Preparation and Presentation of Financial Statements:

The Board of Directors is responsible for the preparation of financial statements under section 183 of the Companies Act, 1994 and as per the provision of "The Framework for the Preparation and Presentation of Financial Statements" issued by the Bangladesh Accounting Standard (BAS).

Functional and Presentational Currency and Level of Precision:

The financial statements are prepared in Bangladeshi Taka (Taka/Tk./BDT) which is the Company's both functional currency and presentation currency. All financial information presented in Taka and has been rounded off to the nearest Taka.

Reporting Period:

The financial period of the Company under audit covers one year from 1st July to 30 June in every year.

Going Concern:

The Company has adequate resources to continue in operation for the foreseeable future. For this reasons the directors continue to adopt going concern basis in preparing the financial statements. The current credit facilities and resources of the Company provides sufficient fund to meet the present requirements of existing business.

Comparative:

Financial statements are presented as BAS-1 ‘‘Presentation of Financial Statements” and previous year’s figures have been restated due to changes in some accounting policies as per BAS-8 ‘‘Accounting Policies, Changes in Accounting Estimates and Errors’’.

Recognition and Measurement of Fixed Assets:

The Fixed Assets initially measured at cost less accumulated depreciation and accumulated impairment losses, if any. The cost of an item of assets comprises its purchase price, any costs directly attributable to bringing the assets to the location and condition necessary for it to be capable of operating in the intended manner.

Depreciation of Fixed Assets:

Depreciation is recognized in the Statement of Comprehensive Income on a reducing balance method on all items of property, plant & equipment. Full year depreciation has been charged on addition of fixed assets. Rates of depreciation on various classes of fixed assets are as under:

Name of the assets	**Rate (%)**
Computer and Accessories	20
Furniture and Fixture	10
Office Equipment	20
CNG Auto Rickshaw	15
Pick-up	20
Factory Construction	10
Fixed Assets at Factory	10
Fixed Assets at Bogra Office	10
Equipment -Bogra Office	10

Trade and Account Receivables:

Trade account receivables are carried at original invoice amount less an estimate made for doubtful debts (if any) based on a review of all outstanding amounts at the period end.

Trade and Account Payables:

Liabilities are recorded at the amount payable for settlement in respect of goods and services received by the Company.

Cash and Cash Equivalents:

For the purpose of Statement of Financial Position and Statement of Cash Flows, Cash in hand and Bank balances represent cash and cash equivalents considering the BAS-1 “Presentation of Financial Statements” and BAS-7 “Cash Flow Statement” which provide that Cash and Cash equivalents are readily convertible to known amounts of Cash.

Inventories:

Opening inventories and Materials procured during the period under audit are not supplied and or consumed during the period were recorded as closing inventories.

Provisions:

A provision is recognized on the balance sheet date if, as a result of past events, the company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation.

Income Tax:

Provision for income tax is made as per Finance Act, 2017. Required provision for income tax has been made in accompanying financial statements.

Revenue Recognition:

In compliance with the requirements of BAS-18 “Revenue”, revenue is recognized only when the goods supplied are invoiced and dispatched to the customers.

Financial Expenses:

Financial expenses comprise the charges and or interest deducted by the bank to maintain bank facility as well as the bank account.

Events after Reporting Period:

Events after reporting period that provide additional information about the company's position at the balance sheet date are reflected in the financial statements.

Chapter Three

Theoretical Perspective of Ratio Analysis

3.1Definition of Ratio Analysis

Ratio Analysis is the method or process of expressing relationship between items or group of items in the financial statement are computed, determined and presented. It is an attempt to draw quantitative measures or guides concerning the financial health and profitability of an enterprise.

It is the process of comparison of one figure or item or group of items with another which make a ratio and the appraisal of the ratios to make proper analysis of the strengths and weakness of the operations of an enterprise. It also can be used in trend and static analysis.

3.2Objectives of Ratio Analysis

Interpreting the financial statements and other financial data is essential for all stakeholders of an entity. Ratio Analysis hence becomes a vital tool for financial analysis and financial management. Let us take a look at some objectives that ratio analysis fulfils.

Measure of Profitability:

Profit is the ultimate aim of every organization. So if I say that ABC firm earned a profit of 5 lakhs last year, how will you determine if that is a good or bad figure? Context is required to measure profitability, which is provided by ratio analysis. Gross Profit Ratios, Net Profit Ratio, Expense ratio etc provide a measure of profitability of a firm. The management can use such ratios to find out problem areas and improve upon them.

Evaluation of Operational Efficiency:

Certain ratios highlight the degree of efficiency of a company in the management of its assets and other resources. It is important that assets and financial resources be allocated and used efficiently to avoid unnecessary expenses. Turnover Ratios and Efficiency Ratios will point out any mismanagement of assets.

Ensure Suitable Liquidity:

Every firm has to ensure that some of its assets are liquid, in case it requires cash immediately. So the liquidity of a firm is measured by ratios such as Current ratio and Quick Ratio. These help a firm maintain the required level of short-term solvency.

Overall Financial Strength:

There are some ratios that help determine the firm's long-term solvency. They help determine if there is a strain on the assets of a firm or if the firm is over-leveraged. The management will need to quickly rectify the situation to avoid liquidation in the future. Examples of such ratios are Debt-Equity Ratio, Leverage ratios and so on.

Comparison:

The organizations' ratios must be compared to the industry standards to get a better understanding of its financial health and fiscal position. The management can take corrective action if the standards of the market are not met by the company. The ratios can also be compared to the previous years' ratio's to see the progress of the company. This is known as trend analysis.

3.3Modes of Expressing an Accounting Ratio

Percentages:

It is expressed as percentage relationship when simple or pure ratio is multiple by 100. Example: 100 * 4=400%

Rate:

The ratio is expressed as rates which refer to the ratio over a period of time.Example: Stock has turned over 8 times a year.

Number of Days or Week or Month:

Certain items of the financial statements are expressed better in the form of days or weeks or months.
Example: If stock turnover ratio is 8 times, they movement of stock is expressed as under:

$$\frac{360}{8} = 45 \text{ Days}, \frac{52}{8} = 6.5 \text{ Weeks}, \frac{12}{8} = 1.5 \text{ Months},$$

3.4Types of Ratio Analysis

The following points highlight the five main types of ratio analysis. The types are:

1. **Profitability Ratios:**
   Profitability ratios are of utmost importance for a concern. These ratios are calculated to enlighten the end results of business activities which are the sole criterion of the overall efficiency of a business concern.
2. **Coverage Ratios:**
   These ratios indicate the extent to which the interests of the persons entitled to get a fixed return such as interest or dividend or a scheduled repayment as per agreed terms are safe. The higher the cover, the better it is.
3. **Turnover Ratios:**
   These ratios are very important for a concern to judge how well facilities at the disposal of the concern are being used or to measure the effectiveness with which a concern uses its resources at its disposal. In short, these will indicate position of assets usage. These ratios are usually calculated on the basis of sales or cost of sales and are expressed in number of times rather than as a percentage.
   Such ratios should be calculated separately for each type of asset. The greater the ratio more will be efficiency of asset usage. The lower ratio will reflect the under utilization of the resources available at the command of the concern. The concern must always plan for efficient use of the assets to increase the overall efficiency.
4. **Financial Ratios:**

   These ratios are calculated to judge the financial position of the concern from long-term as well as short-term solvency point of view. These ratios can be divided into two broad categories:

   (A) Liquidity Ratios

   (B) Stability Ratios.

5. **Control Ratios:**
   Control ratios are used by the management to know whether the deviations of the actual performance from the budgeted performance are favorable or unfavorable. If the ratio is 100 percentages or more the performance is considered as favorable and if the ratio is less than 100 percentages the performance is considered as unsatisfactory.

3.5Advantages of Ratio Analysis

When employed correctly, ratio analysis throws light on many problems of the firm and also highlights some positives. Ratios are essentially whistleblowers; they draw the management's attention towards issues needing attention. Let us take a look at some advantages of ratio analysis.

1. Ratio analysis will help validate or disprove the financing, investment and operating decisions of the firm. They summarize the financial statement into comparative figures, thus helping the management to compare and evaluate the financial position of the firm and the results of their decisions.
2. It simplifies complex accounting statements and financial data into simple ratios of operating efficiency, financial efficiency, solvency, long-term positions etc.
3. Ratio analysis helps identify problem areas and bring the attention of the management to such areas. Some of the information is lost in the complex accounting statements, and ratios will help pinpoint such problems.
4. Allows the company to conduct comparisons with other firms, industry standards, intra-firm comparisons etc. This will help the organization better understand its fiscal position in the economy.

3.6Limitations of Ratio Analysis

While ratios are very important tools of financial analysis, there have some limitations, such as

1. The firm can make some year-end changes to their financial statements, to improve their ratios. Then the ratios end up being nothing but window dressing.
2. Ratios ignore the price level changes due to inflation. Many ratios are calculated using historical costs, and they overlook the changes in price level between the periods. This does not reflect the correct financial situation.
3. Accounting ratios completely ignore the qualitative aspects of the firm. They only take into consideration the monetary aspects (quantitative)
4. There are no standard definitions of the ratios. So firms may be using different formulas for the ratios. One such example is Current Ratio, where some firms take into consideration all current liabilities but others ignore bank overdrafts from current liabilities while calculating current ratio
5. And finally, accounting ratios do not resolve any financial problems of the company. They are a means to the end, not the actual solution.

Chapter Four

Interpretations of Ratio Analysis

4.1 Calculation of Ratio Analysis

4.1.1. Current Ratio $=\frac{\textbf{Current Assets}}{\textbf{Current Liabilities}}$

$$=\frac{\textbf{Cash+Bank+Inventory+FDR+Loan Given To+Security Deposit+Debtors+Prepayment}}{\textbf{Creditors+Loan from Director+Advance Received from Customers+Loan}}$$

Amount in Tk.

Year'2017	Year'2018
Tk.	**Tk.**
$\frac{221{,}632{,}000}{148{,}789{,}193}$ **= 1.49:1**	$\frac{251{,}024{,}332}{87{,}216{,}169}$ **= 2.88:1**

Interpretations
Standard 2:1
The current ratio standard is 2:1. In 2017, the current assets were 1.49 against current liabilities 1 which is less than the standard. Hence, 2018 the current assets is 2.88 against current liabilities 1. In this situation, the current ratio of 2018 is greater than of 2017 because of increasing in Inventory, Debtors, Cash in Hand & Bank and Fixed Deposit (FDR) than 2017.

4.1.2. Liquid Ratio = $\frac{\textbf{CurrentAssets} - \textbf{Stock,prepaid Expenses and AdvanceTax}}{\textbf{Current Liabilities} - \textbf{Bank Overdraft}}$

Amount in Tk.

Year'2017	Year'2018
Tk.	Tk.
$\frac{221{,}632{,}000 - 85{,}643{,}000 - 6{,}622{,}516}{148{,}789{,}193 - 14{,}000{,}000}$ $= \frac{129{,}366{,}484}{134{,}789{,}193}$ $\mathbf{= 0.96{:}1}$	$\frac{251{,}024{,}332 - 114{,}500{,}000 - 3{,}894{,}353}{87{,}216{,}169 - 14{,}000{,}000}$ $= \frac{132{,}629{,}979}{73{,}216{,}169}$ $\mathbf{= 1.81{:}1}$

Interpretations
Standard 1:1
The liquid ratio standard is 1:1. In these two years the company has good liquid ratio only in 2018 against quick liabilities. On the other hand, in 2017 the liquid ratio was 0.96 than the standard. However, the liquid ratio is only 0.04 less than the standard in 2017. In 2018, the liquid ratio is higher than the standard which covers the previous year loss as well.

4.1.3. Proprietary Ratio = $\frac{\textbf{Proprietors' or Shareholders' Fund}}{\textbf{TotalAssets}} * \mathbf{100}$

$$= \frac{\textbf{Paid Up Capital} + \textbf{Total Retained Earnings}}{\textbf{Fixed Assets} + \textbf{Current Assets}} * \mathbf{100}$$

Amount in Tk.

Year'2017	Year'2018
$\frac{107{,}996{,}116}{258{,}355{,}004} * 100$ $= 0.42 * 100$ $\mathbf{= 42\%}$	$\frac{212{,}675{,}865}{315{,}718{,}000} * 100$ $= 0.67 * 100$ $\mathbf{= 67\%}$

Interpretations
Standard 0.5:1
The Propriety Ratio Standard is 0.5:1. The retained earnings of this company is high in 2018 than 2017 as well as the total assets also higher than 2017. Therefore, the Proprietary Ratio is 67% in 2018 whereas 42% in 2017

4.1.4. Stock Working Capital Ratio = $\frac{\textbf{Stock}}{\textbf{Working Capital (CurrentAssets} - \textbf{CurrentLiabilities)}}$

Amount in Tk.

Year'2017	Year'2018
$\frac{85{,}643{,}000}{221{,}632{,}000 - 148{,}789{,}193}$ $= \frac{85{,}643{,}000}{72{,}842{,}807}$ **= 1.18:1**	$\frac{114{,}500{,}000}{251{,}024{,}332 - 87{,}216{,}169}$ $= \frac{114{,}500{,}000}{163{,}808{,}163}$ **= 0.70:1**

Interpretations
Standard 1:1
The Stock Working Capital Ratio standard is 1:1. The higher ratio can indicate weak working capital which is in 2017, the ratio was 1.18 than its standard. In 2018, the ratio is less than the standard. So, it is indicates the adequacy of working capital.

4.1.5. Debt-Equity Ratio = $\frac{\textbf{Debt}}{\textbf{Equity}}$

Amount in Tk.

Year'2017	Year'2018
$\frac{150{,}358{,}888}{107{,}996{,}116}$ **= 1.39:1**	$\frac{103{,}042{,}135}{212{,}675{,}865}$ **= 0.48:1**

Analysis
Standard 2:1
The Debt-Equity Ratio Standard is 2:1. This company is not depends on long terms debts because it has less debt than the standard in 2018. On the other hand, the ratio is 1:39 in 2017 that means it partially dependent on some long term debt. Overall, the company is not much depended on debt.

4.1.6. Gross Profit Ratio = $\frac{\textbf{Gross Profit}}{\textbf{Sales}} * \mathbf{100}$

Amount in Tk.

Year'2017	Year'2018
$\frac{72,670,000}{257,570,000} * 100$ $=0.2821 * 100$ $= \mathbf{28.21\%}$	$\frac{92,123,290}{328,000,000} * 100$ $=0.2809 * 100$ $= \mathbf{28.09\%}$

Interpretations
The Gross Profit Ratio in 2017 is 28.21% whereas 28.06% in 2018. There is not much change in 2018 than 2017. The change is not increasing because of Cost of Goods Sold higher in 2018 than 2017. The higher gross profit ratio is better for the company. So, it was better percentage in 2017 than 2018.

4.1.7. Operating Ratio = $\frac{\textbf{Operating Cost(Cost of Goods Sold+Operating Expenses)}}{\textbf{Net Sales}} * \mathbf{100}$

Amount in Tk.

Year'2017	Year'2018
$\frac{184,900,000 + 31,759,000}{257,570,000} * 100$ $= \frac{216,659,000}{257,570,000} * 100$ $= 0.84 * 100 = \mathbf{84\%}$	$\frac{235,876,710 + 41,844,500}{328,000,000} * 100$ $= \frac{277,721,210}{328,000,000} * 100$ $= 0.85 * 100 = \mathbf{85\%}$

Interpretations
The Operating Profit Ratio is 84% and 85% in 2017 and 2018. It has not much changed in 2018 than 2017. It means 85% of the sales revenue would be used to cover cost of goods sold and other operating expenses in 2018 whereas 84% of the sales revenue used in 2017 of United Shakti Limited.

4.1.8. Net Profit Ratio = $\frac{\text{Net Profit}}{\text{Net Sales}}$ ***100**

Amount in Tk.

Year'2017	Year'2018
$\frac{42,164,000}{257,570,000} * 100$ $=0.1637 * 100$ $= \mathbf{16.37\%}$	$\frac{51,778,790}{328,000,000} * 100$ $=0.1579 * 100$ $= \mathbf{15.79\%}$

Interpretations
The Net Profit Ratio is better in two years 2017 and 2018 whereas net profit ratio is 16.37% in 2017 and 15.79% in 2018. It means the business has most profitability as well as return on investment is also higher. United Shakti Limited has cost control, management efficiency, and sales promotion on its business.

4.1.9. Net Operating Profit Ratio = $\frac{\text{Net Operating Profit(Sales} - \text{Cost of Goods Sold} - \text{Operating Expense)}}{\text{Net Sales}} * \mathbf{100}$

Amount in Tk.

Year'2017	Year'2018
$\frac{257,570,000 - 184,900,000 - 31,759,000}{257,570,000} * 100$ $= \frac{40,911,000}{257,570,000} * 100$ $= 0.1588 * 100 = \mathbf{15.88\%}$	$\frac{328,000,000 - 235,876,710 - 41,844,500}{328,000,000} * 100$ $= \frac{50,278,790}{328,000,000} * 100$ $= 0.1533 * 100 = \mathbf{15.33\%}$

Interpretations
The Net Operating Profit Ratio shows the operational efficiency of the business. Lower operating ratio shows higher operating profit. An operating ratio range between 80% to 90% is generally as standard for manufacturing concerns. This ratio considered to be a yardstick of operating efficiency. The result is 15.88% in 2017 where 15.33% in 2018. So, it is less than the standard. Lower operating ratio indicates higher operating profit. So, United Shakti Ltd. is doing good used of their operating expense to maximize big production in these two years.

4.1.10. Stock Turnover Ratio = $\frac{\text{Cost of Goods Sold}}{\text{Average Stock}}$

Amount in Tk.

Year'2017	Year'2018
$\frac{184,900,000}{78,747,500}$ = 2.35 Times	$\frac{235,876,710}{100,071,500}$ = 2.36 Times

Stock Turnover in Days = $\frac{\text{365 Days}}{\text{Stock Turnover Ratio}}$

Year'2017	Year'2018
$\frac{\text{365 Days}}{2.35}$ = 155 Days	$\frac{\text{365 Days}}{2.36}$ = 154 Days

Interpretations
In 2008, Stock Turnover Ratio is slightly higher than 2017 because of the increasing of cost of goods sold as well as the increasing of Average Stock was higher than 2017. United Shakti Ltd. has been maintained the stock very strongly.

4.1.11. Return on Capital Employed = $\frac{\textbf{Profit Before Tax Interest}}{\textbf{Capital Employed(Total Assets}-\textbf{Current Liabilities)}} * \textbf{100}$

Amount in Tk.

Year'2017	**Year'2018**
$\frac{42{,}164{,}000}{258{,}355{,}004 - 1{,}569{,}695} * 100$ $= \frac{42{,}164{,}000}{256{,}785{,}309} * 100$ = 0.1642 * 100 **= 16.42%**	$\frac{51{,}778{,}790}{315{,}718{,}000 - 87{,}216{,}169} * 100$ $= \frac{51{,}778{,}790}{228{,}501{,}831} * 100$ = 0.2266 * 100 = **22.66%**

Interpretations
The earning before tax is higher in 2018 than 2017 and capital employed is less in 2018 than 2017. So, the Return on Capital Employed percentage is higher in 2018 than of 2017. The company uses this ratio for internal decisions.

4.1.12. Return on Equity Capital = $\frac{\textbf{Net Pofit After Tax}-\textbf{Preference Dividend}}{\textbf{Equity Share Capital}}$

Amount in Tk.

Year'2017	**Year'2018**
$\frac{42{,}164{,}000}{10{,}000{,}000}$ **= 4.22**	$\frac{51{,}778{,}790}{10{,}000{,}000}$ **= 5.18**

Interpretations
Here the Net Profit After Tax is Net profit Before Tax. The Return on Equity Capital is 5.18 in 2018 than of 2017 which were 4.22. The company has good position on equity capital in 2018 and this company uses this ratio for reporting purpose.

4.1.13. Earnings per Share = $\frac{\textbf{Net Pofit After Tax} - \textbf{Preference Dividend}}{\textbf{Number of Equity Share}}$

Amount in Tk.

Year'2017	Year'2018
$\frac{42{,}164{,}000}{100{,}000}$ $= \mathbf{422}$	$\frac{51{,}778{,}790}{100{,}000}$ $= \mathbf{518}$

Interpretations
In this company, Earnings per Share are TK. 518 in 2018 than 2017 which were TK. 422. Therefore, every share has higher rate in 2018 than of 2017.

4.1.14. Creditors Turnover Ratio = $\frac{\textbf{Net Credit Purchases}}{\textbf{Average Creditors}}$

Amount in Tk.

Year'2017	Year'2018
$\frac{129{,}430{,}000}{(59{,}849{,}382 + 10{,}984{,}000)/2}$ $= \frac{129{,}430{,}000}{35{,}416{,}691}$ =**3.66 Times**	$\frac{165{,}113{,}697}{(1{,}250{,}000 + 59{,}849{,}382)/2}$ $= \frac{165{,}113{,}697}{30{,}549{,}691}$ = **5.40 Times**

Credit Payment Period = $\frac{\textbf{365 Days}}{\textbf{Creditors Turnover Ratio}}$

Year'2017	Year'2018
$\frac{365\ \text{Days}}{3.66}$ = **99 Days**	$= \frac{365\ \text{Days}}{5.40}$ = **68 Days**

Interpretations
United Shakti Ltd. has strong payment against their credit purchase in 2018 than of 2017. This company has been decreased average creditor in 2018 than 2017. Therefore, this company has been improving its payment gradually in 2018.

4.1.15. Debtors Turnover Ratio = $\frac{\text{Credit Sales}}{\text{Average Debtors}}$

Amount in Tk.

Year'2017	Year'2018
$\frac{206{,}056{,}000}{(94{,}653{,}000+98{,}553{,}353)/2}$ $=\frac{206{,}056{,}000}{96{,}603{,}177}$ = **2.13 Times**	$\frac{262{,}400{,}000}{(99{,}000{,}600+94{,}653{,}000)/2}$ $=\frac{262{,}400{,}000}{96{,}826{,}800}$ = **2.71 Times**

Credit Payment Period = $\frac{\text{365 Days}}{\text{Creditors Turnover Ratio}}$

Year'2017	Year'2018
$=\frac{365\text{ Days}}{2.13}$ = **171 Days**	$=\frac{365\text{ Days}}{2.71}$ = **135 Days**

Interpretations
The collection of fund has quite well in 2018 than 2017 for this company because of sales has been increased than the average debtors in 2018. So, they have enough funds to make payment for their creditors in 2018 than of 2017. Finally, United Shakti Ltd. makes their position good in the electrical market over their competitors.

Chapter Five

Findings

5.1Findings of the Study

The major findings of this study about the United Shakti Ltd. are as follows as the performance of their last two years respectively 2017 and 2018.

- The Current Ratio of this company has been satisfactory in 2017 whereas more satisfactory in 2018. In this analysis, United Shakti Ltd. maintains capital assets in order to sharp operations by paying their current obligations.

- In Liquid Ratio, this company had 0.96 which was below the standard in 2017. Therefore, United Shakti Ltd. struggled with the liquidity problem that year whereas the company recovered their liquidity in 2018 which was 1.81 above the standard.

- The Proprietor’s fund was 42 percentages in 2017 which not covered the standard of the company’s assets. On the other hand in 2018 the company Proprietor’s fund was 67 percentages which covered the standard and they properly utilized the assets.

- The Working Capital is less in 2018 than of 2017 where the company properly used the current assets to maintain the current liabilities in 2018 where the company was fail to maintain current obligations in 2017.

- United Shakti Ltd. is not depended on long term debt, they only depends on short term debt. Therefore, the company’s Debt-Equity Ratio has been decreasing gradually year by year.

- The Gross Profit of this company was not much changing because of the higher cost of goods sold in 2018 than of 2017.

- This company has partially enough revenue to cover the cost of goods sold as well as operating expenses respectively in 2017 and 2018.

- United Shakti Ltd. only maintains profit before tax so the net profit is same because of not deducting of income tax payable respectively in 2017 and 2018. The ability of the paying the current liabilities is not greater in 2017 than of 2018.

- The Creditors Turnover Ratio payments in 2017are not good enough to sustain in the market over the competitors. Whereas in 2018, the creditors payment is quite improvement but they need to more improvement to minimize the liability.

- The Debtors Turnover Ratio result is far away from the standard. So, they need to overcome this situation with the return earnings for maximization the business structure.

Chapter Six

Recommendations

6.1Recommendations of the Study

There are not big issues in United Shakti Ltd. but it can be said that there are possibilities to get better financial condition and improvement by taking proper and perfect action. There are some solutions to be given for solving the problems.

- This organization should be needed capital maximization to pay the current obligation.
- The improvement of production is much needed through the worker's training session to fulfill the customer's satisfaction.
- The proprietor's fund should be more increased by maximum using of total assets to cover up the long term liabilities.
- United Shakti Ltd. needs to minimize their bank overdraft as if they can improve their liquidity standard above.
- Gradually this company has to do maximum use of the operating expense to cover the cost of goods sold.
- They have to focus on their short term as well as long term debt because they need to minimize as early as possible.
- They need to improve their collection period from each customer within 50 days for minimization of their credit from the suppliers within the timeline.
- Paid up capital of United Shakti Ltd's is unchanged trend and they should keep focus to increase capital in order to maintain their solvency.

- This is a manufacturing company and they are performing in big project. So, they need to import more machinery as well as appoint qualified employees for providing better sub-station, transformers as per customer's requirements.

- To cope up with the latest technologies if needed for product or somewhere else.

Chapter Seven

Conclusion

7.1 Conclusion

Ratio Analysis is an important financial measurement tool to measure the financial performance. This company ratio is sometimes better from the standard, sometimes not. It is also a part of internal benchmarks and goals. The ratio analysis is helped in estimate the future. The most important thing is that, this helps in decision making and investment. The ratio analysis of United Shakti Ltd. gives exact picture of financial situation and helps future projection.

United Shakti Ltd. is one of the leading electrical companies in our country which contributes in our economy. United Shakti Ltd. has managed to keep its position successfully among the competitors by providing electrical goods. They have a good potential to expand their business and capture more markets.

Then analysis and findings are summarized of the company regarding making the clients satisfaction regarding the different issues. Finally, based on the problem, recommendation has been developed to solve the problems to make the clients satisfied.

Electrical Industry has grown in Bangladesh in the last two decades at a considerable rate. Its growth rate is increasing day by day with different types of product such as transformers, online UPS, PFI, and Panel. This company helps to continuity the power supply with any kind of hinder. People and industry will be satisfied with United Shakti Limited products and services.

The company has to improve it working capital management to maintain good performance in near future to cope up with good financial position.

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Appendix

Statement of Income Statement of 30th June 2017 of United Shakti Ltd.

UNITED SHAKTI LTD.

Niketon, Gulshan - 1, Dhaka

Income Statement

As Of 30th June 2017

PARTICULARS	Taka
Net Sale (A)	**257,570,000**
Cost of Goods Sold (B)	**184,900,000**
Opening Stock	71,852,000
Add: Import/Purchase	179,969,000
Less: Closing Stock	85,643,000
Wages & Salary	5,820,000
Factory Overhead	3,082,465
Transportation Cost	1,236,541
Labor	70,325
Gov't Fee For Sales	1,365,247
Miscellaneous For Sales	2,000,632
Sales Agent Commission	1,320,536
Factory Utilities	943,000
Installation Cost	763,254
VAT For Sales	2,120,000
Gross Profit [C(A-B)]	**72,670,000**
Operating Expesnse (D):	**31,759,000**
Advministrative Exp.	5,412,368
Financial Exp.	7,522,000
Marketing Exp.	1,775,000
Salary Exp.	8,334,359
Staff Food	584,562
Director's Remuneration	4,488,295
Bord Meeting Exp.	245,874
Conveyance (Local)	843,807
Donation	197,512
Miscellaneous	442,361
Medical Exp.	37,862
Depreciation	1,875,000
Operating Income [E(C-D)]	**40,911,000**
Others Incom	1,253,000
Net Profit [G(E-F)] (Before IT)	**42,164,000**

Statement of Balance Sheet of 30th June 2017 of United Shakti Ltd.

UNITED SHAKTI LTD.

Nikethon, Gulshan - 1, Dhaka

BALANCE SHEET

As Of 30th June 2017

PARTICULARS			TAKA
APPLICATION OF FUND			
FIXED ASSETS			**36,723,004**
	Factory Machinery &Equipments		9,684,562
	Building & Construction		12,161,000
	Furniture & Fixtures		3,218,000
	Pickup & CNG		1,236,547
	Office Equipment & Other		10,063,457
	Computer & Accessories		359,438
CURRENT ASSETS			**221,632,000**
	Inventory Assets		85,643,000
	FDR (City Bank + IDLC)		23,760,740
	Loan Given To		7,461,136
	Securtiy Deposit		41,608
	Sundry Debtors		94,653,000
	Advance & Prepayment		6,622,516
	Cash in Hand & Bank		3,450,000
TOTAL			**258,355,004**
CAPITAL / SHAREHOLDER'S EQUITY			**107,996,116**
	Paid up Capital		10,000,000
	Retained Earnings	60,332,116	
	Less - Divedends Paid	4,500,000	
	Add- Net Profit (Transfer from P/L A/C)	42,164,000	
	Total Retained Earnings		97,996,116
CURRENT LIABILITIES			**148,789,193**
	City Bank (STL +LTR)		38,485,631
	Over Draft (City Bank)		14,000,000
	IDLC Finance		8,237,514
	Advance Received From Customers		9,851,426
	Loan From Directors		18,365,240
	Sundry Creditors		59,849,382
NON-CURRENT LIABILITIES			**1,569,695**
	Term Loans		1,569,695
TOTAL			**258,355,004**

Statement of Income Statement of 30th June 2018 of United Shakti Ltd.

UNITED SHAKTI LTD.

Niketon, Gulshan - 1, Dhaka

Income Statement

For the year ended 30th June 2018

PARTICULARS	Taka
Net Sale (A)	**328,000,000**
Cost of Goods Sold (B)	**235,876,710**
Opening Stock	85,643,000
Add: Import/Purchase	239,500,000
Less: Closing Stock	114,500,000
Wages & Salary	7,800,000
Factory Overhead	4,221,342
Transportation Cost	2,131,194
Labor	145,907
Gov't Fee For Sales	942,448.50
Miscellaneous For Sales	3,249,333
Sales Agent Commission	1,568,857
Utilities	1,900,565
Installation Cost	740,918
VAT For Sales	2,533,145
Gross Profit [C(A-B)]	**92,123,290**
Operating Expesnse (D):	**41,844,500**
Advministrative Exp.	6,039,993
Financial Exp.	12,595,000
Marketing Exp.	2,500,000
Salary Exp.	10,895,000
Staff Food	591,577
Director's Remuneration	5,905,000
Conveyance (Local)	654,747
Donation	52,776
Miscellaneous	144,384
Medical Exp.	16,023
Depreciation	2,450,000
Operating Income [E(C-D)]	**50,278,790**
Others Income	1,500,000
Net Profit [G(E-F)] (Before IT)	**51,778,790**

Statement of Balance Sheet of 30th June 2017 of United Shakti Ltd.

UNITED SHAKTI LTD.

Niketon, Gulshan - 1, Dhaka

BALANCE SHEET

AS OF JUNE 30, 2018

PARTICULARS		Taka
APPLICATION OF FUND		
FIXED ASSETS		**64,693,668**
	Factory Machinery &Equipments	26,468,000
	Building & Construction	19,000,000
	Furniture & Fixtures	648,354
	Pickup & CNG	897,660
	Office Equipment & Other	17,369,190
	Computer & Accessories	310,464
CURRENT ASSETS		**251,024,332**
	Inventory Assets	114,500,000
	Fixed Deposit (FDR)	27,842,533
	Loan Given To	592,590
	Securtiy Deposit	3,501,400
	LC Processing (Margin & Others)	442,166
	Sundry Debtors	99,000,600
	Advance & Prepayment	3,894,353
	Cash in Hand & Bank	1,250,690
TOTAL		**315,718,000**
CAPITAL / SHAREHOLDER'S EQUITY		**212,675,865**
	Paid up Capital	10,000,000
	Retained Earnings	150,897,075
	Net Profit (Transfer from P/L A/C)	51,778,790
CURRENT LIABILITIES		**87,216,169**
	Bank Overdraft (City Bank)	14,000,000
	City Bank (STL +LTR)	62,353,626
	Loan From Directors	9,612,543
	Sundry Creditors	1,250,000
NON- CURRENT LIABILITIES		**15,825,966**
	Term Loan	15,825,966
TOTAL		**315,718,000**