

Internship Report
On
Financial Performance Analysis of Dan Foods Limited



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Date of Submission:

Letter of Transmittal

Date:

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Subject: Submission of Internship Report on “Financial Performance Analysis of Dan Foods Limited”

Dear Madam,

After completing my internship, I am submitting the report on "Financial Performance Analysis of Dan Foods Limited." It was my best consideration to follow all the points of this Dan Foods Limited project as far as I could. It was my blessing to follow your instructions and time schedule. All of those areas have been covered, which were mentioned to me in the meantime of the discussion.

All the topics are visualized, which relate to this internship paper. I would like to devote my heartiest gratitude to you for supporting me at your best. This helps me a lot in preparing this report properly.

Thanks for your consideration.

Sincerely yours



Md. Imran Hossain

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Program: BBA

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Declaration

I am Md. Imran Hossain, a student of BBA program, Daffodil International University, hereby declare that the internship report titled “Financial performance analysis of Dan Foods Limited” is prepared after the completion of my internship at Dan Foods Limited at Ashuliya Branch under the intensive supervision and guidance of Ms. Tanzina Hossain, Associate Professor, Daffodil International University and Md Jonayed khan, Manager, Accounts and Finance Department, Dan Foods Limited

I also declare that the internship report is prepared for academic purpose only and this report is not submitted by others.

Sincerely yours



Md. Imran Hossain
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Approval Certificate

This is to certify that **Md. Imran Hossain, ID # 181-11-568, BBA (Finance)**, is a regular student of the Department of Business Administration, Faculty of Business and Entrepreneurship, at Daffodil International University. He has successfully completed his internship program at **Dan Foods Limited** and has prepared for this internship under my direct supervision. His assigned internship topic is "**Financial Performance Analysis of Dan Foods Limited.**" I think that the report is worthy of fulfilling the partial requirements of the BBA program. I also declare that the study has been prepared for academic purposes only and that this paper may not be used in an actual market scenario.

I have gone through the report and found it to be a well-written report. He has completed the report by himself. I wish him every success in life.



Ms. Tanzina Hossain
Associate Professor
Department of Business Administration
Faculty of Business & Entrepreneurship
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Acknowledgment

In Allah's name, be kind and generous. This work would not have been possible without the guidance and assistance of a number of individuals who participated and assisted in various ways in the preparation and completion of this study.

This internship report was started by me and completed by me. Ms. Tanzina Hossain, Associate Professor, Department of Business Administration, Faculty of Business & Entrepreneurship, Daffodil International University, is particularly deserving of praise for her contributions. Her advice and encouragement were immensely helpful in ensuring the success and easy running of the internship program. If you could assist, it would be highly appreciated.

All of the high-ranking authorities who assisted me in obtaining relevant information are to be thanked. Furthermore, this temporary position program has taught me the importance of working as part of a team and as part of another tough workplace engagement.

To summarize, I am grateful to everyone who worked hard both inside and outside the organization. To summarize, I am grateful to everyone who worked hard both inside and outside of Dan Foods Limited to complete this report.

Executive Summary

Dan Cake A/S, founded in 1931, is Scandinavia's leading manufacturer of readily available baked pastries and Swiss rolls. Thanks to a stringent quality assurance process, its products are noted for their outstanding taste and quality. It's no surprise that the company is still growing in the global market.

Financial analysis is the process of evaluate the financial health of an organization by using different mathematical and logical tools. Financial analysis also represents the overall financial performance of an institution. It is helpful for evaluate the financial condition of the organization and making decision for business operation. I use ratio analysis as the main tools for performing the financial analysis for my report. The ratio analysis gives the summarized overview to the investor. So the investor tries to concentrate on different financial ratios to get an overall overview of the organization. The ratios analysis not only help to decision making process but also emphasized on risk avoiding and profit raising related factors. To calculate this ratio, I need to collect quantitative data from authentic source such as bank trading activity and other sources.

The main objectives of report are to find out Financial Statement Analysis of Dan Foods Limited. The report is divided into six chapters. First Chapter contains the introductory part of the report which implies introduction, background of the study, objectives, scope, methodology and limitations of the study.

Second chapter includes the organizational overview of Dan Foods Limited. Third chapter consists SWOT & PESTEL Analysis. Forth chapter consists of theoretical aspects of financial performance Analysis of Dan Foods Limited.

Fifth chapter consists of financial performance analysis of Dan foods limited. Chapter six includes findings recommendations and conclusion about the report.

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Chapter-1

Introduction

1.1 Introduction

The internship program is a necessary part of the BBA program. I must accumulate realistic understanding and talents to satisfy the future opposition because I am a student of the BBA program. Without realistic exposure, theory can by no means be fruitful. That is why realistic orientation is an effective improvement in an expert place. In this regard, the significance of practical enjoyment and three months of practical exposure is one of the most essential parts of a 4-year BBA program. In such a state of affairs, the prevailing record aims at reading the experiences of realistic orientation associated with an appraisal of Dan Foods limited.

1.2 Background of the Study

An internship program is essential for all students, but especially for BBA students, as it helps them understand important life scenarios. When completing all the specified courses of the BBA Program at Daffodil International University, it is an important part of the study to induce concern in an exceedingly sensible skilled setting for 3 months. Against this backdrop, I have actually completed my 3 months at **Dan Foods Limited**. That has helped me a great deal in perceiving and buying information concerning the important life situation of the business.

I entered into an internship program at Dan Foods Limited and was allotted a topic as "**Financial Performance Analysis: A Study on Dan Foods Limited.**" While preparing this report, I had a good chance to possess full information about all the monetary flows practiced by Dan Foods Limited. It conjointly helped me acquire a first-hand perspective of the number one noncommissioned company in DGDP in an Asian country. It should be noted that the information used here is truly and strictly confidential, and nobody will use its elements fully or partially.

1.3 Objectives of the Study

1. To identify the present financial system of Dan Foods Limited in Bangladesh
2. To analyze the financial performance of Dan Foods Limited
3. To identify the problems of Dan Foods Limited
4. To prescribe appropriate recommendation and suggestion to overcome existing problems of Dan Foods Limited

1.4 Scope of the Study

This scope of the study has been targeted at a monetary performance analysis of Dan Foods Limited. However, I actually tried to think about different sectors of the organization to facilitate the analysis and evaluation of the credit performance. I actually cooperated with the management of the involved organization in every department where I wished to penetrate for collection of info.

1.5 Methodology of the Study

Methodology is an important part of this study. It's designed in a very specific manner, so it corresponds to attaining the objectives of the study. All the knowledge incorporated into this report has been collected both from the primary sources and secondary sources. The information is classified, tabulated, and arranged in a very systematic manner. In conducting these studies, both qualitative and quantitative knowledge were used. The subsequent methodology was adopted to organize this report. The data is gathered using two processes, which are as follows:

Primary Sources: The following were the first sources:

1. Face-to-face speech communication with the individual workers and officers of the organization.
2. Conversation with the client
3. Practical work exposure from completely different sections of the organization.

Secondary Sources: The secondary sources were collected in the following ways:

1. Dan Foods Limited's annual reports
2. The information gleaned from the organization's brochure and leaflet
3. Other relevant information is collected directly from associate degree interviewees from completely different sections of the organization
4. Otherwise, it's jointly taken from some books, journals, magazines, customers, and staff of the organization.

1.6 Limitations of the Study

Although I actually have obtained wholehearted cooperation from the workers of all of Dan Foods Limited, I actually have featured the following issues in the manner of my study. The issues could also be limitations of my study.

1. **Inadequate data:** To grasp the facts concerning the study in a realistic manner and further clearly the quantitative expression of data, necessary information is needed. However, it was absolutely terribly troublesome for me to gather the secondary information all in the space of the study. Since it is a service-directed organization, the chance of the correct information is usually low.
2. **Fears of disclosure:** it is noted that some company policies do not disclose the direction to the overall individual. However, the knowledge is incredibly helpful for making my position report.
3. **Lack of expertise:** experience makes a person economical. However, I actually have no correct expertise to try to do this sort of study. As a result, unexpired does not conduct this type of research in a systematic manner and does not employ the logical analysis methodology.
4. **Lack of Record:** Decent books, publications, facts, and figures don't seem to be out there. If these limitations weren't there, the report would be useful. There are several limitations encountered in preparing the position report. However, with constant effort, I have actually tried to minimize the negative effects of those limitations.

Chapter-2

Profile of the Organization

2.1 About Dan Foods Limited

Dan Cake is the market leader in the production of ready-to-eat cakes and Swiss rolls in Scandinavia, having been founded in 1931 in Denmark. Dan Foods Limited, a joint venture between Denmark's Dan Cake A/S and Bangladesh's Pandugar Limited, was established in Bangladesh in 2012. After a three-year R & D period, Dan Cake's line of products was ultimately launched into the Bangladesh market in 2015. Dan Foods Limited is a private limited company registered in Bangladesh under the Companies Act 1994 on October 14, 2012. The company's main activities include the production of various types of cakes and bakery products. Until August 31, 2014, the company's registered office was located at Urban Center Point, 400 New Eskaton Road, Boro Mogbazar, and Dhaka-1000. The new registered office, located in Khagan, Birulia, Savar, Dhaka, began operations on September 1, 2014.

The plant, which is located in Khagan, Birulia, Savar, is a cutting-edge facility that was developed and maintained to European sanitation and hygiene standards. It is located on 1.6 acres of land and has a tight set of rules that are followed at all times, whether they are for regular employees or for visitors. Every area of the factory is properly sectioned off, from the raw material storage area through the final packing area.

Dan Cake is Dan Foods Limited's brand name. The Dan Group of Industries makes a variety of cakes. Dan Cake is the only Bangladeshi food company that exports food and related products to several countries. Dan's Cake presently offers a total of 12 different cake flavors. Dan's Cake Foods presently employs over 1,000 individuals, all of whom are held to the same high moral and social standards as the company. Before entering, everyone must adhere to the company's dress code. Day and night shifts are the two halves of the duty arrangement.

2.2 Mission

Our aim is to provide consumers with the most effective tasting work product from Dan Cake. We supply the best raw materials from the most effective sources to confirm the world's quality benchmark. Most of the raw materials that we have a tendency to use come from Dan Cake A/S, Kingdom of Denmark, and we manufacture our products as per the instructions of Dan Cake A/S, Denmark, and under the supervision of a Danish baker.

2.3 Vision

To establish the company as a prestigious organization in the country and abroad for a strong identity.

2.4 The company and its operations

1. Dan Foods Limited ("the company") is a private limited company incorporated in Bangladesh on October 14, 2012 under the Companies Act 1994 Reg. No. C-105100/12. It is a joint venture company between Dan Cake A/S of Denmark and Pandughar Limited of Bangladesh.
2. The principal activities of the company are to manufacture all types of cake and bakery products. The company started its commercial production on February 11, 2015. The address of the company's registered office was at Urban Center Point, 400 New Eskaton Road, Boro Mogbazar, and Dhaka-1000 till 31 August 2014. The new registered offices are in Khagan, Birulia, Savar, and Dhaka.
3. The financial statements were prepared in accordance with Bangladesh Accounting Standards (BAS) and Bangladesh Financial Reporting Standards (BFRS), as well as the Companies Act of 1994 and other applicable laws and regulations.
4. Except for cash flow information or as otherwise stated in the financial statements and/or notes to the financial statements, the financial statements have been prepared in accordance with

Bangladesh Financial Reporting Standards (BFRS) using the historical cost convention and the accrual basis of accounting.

5. Principal accounting policies the specific accounting policies selected and applied by the company's management for significant transactions and events that have a material effect within the framework of BAS-1 "Presentation of Financial Statements" in the preparation and presentation of financial statements.
6. For reasons of clarity, the accounting and valuation methods are disclosed. According to BAS-1, the company classified its expenses using the function of expense method.
7. The financial statement is presented in Bangladesh Taka (Taka/Tk.), which is the functional currency of the company. All the financial information presented in Taka has been rounded off to the nearest integer. Figures in brackets indicate deductions.
8. The reporting period for these financial statements covers one year from July 1 to June 30.
9. Property, Plant, and Equipment: property, plant, and equipment are stated at historical cost less accumulated depreciation in accordance with BAS-16: property, plant, and equipment.
10. Depreciation is calculated using a straight line method over the estimated useful lives of each component of a piece of property, plant, and equipment. Depreciation on additions to fixed assets is charged for the full month in the month of acquisition. No depreciation is charged in the month of disposal.

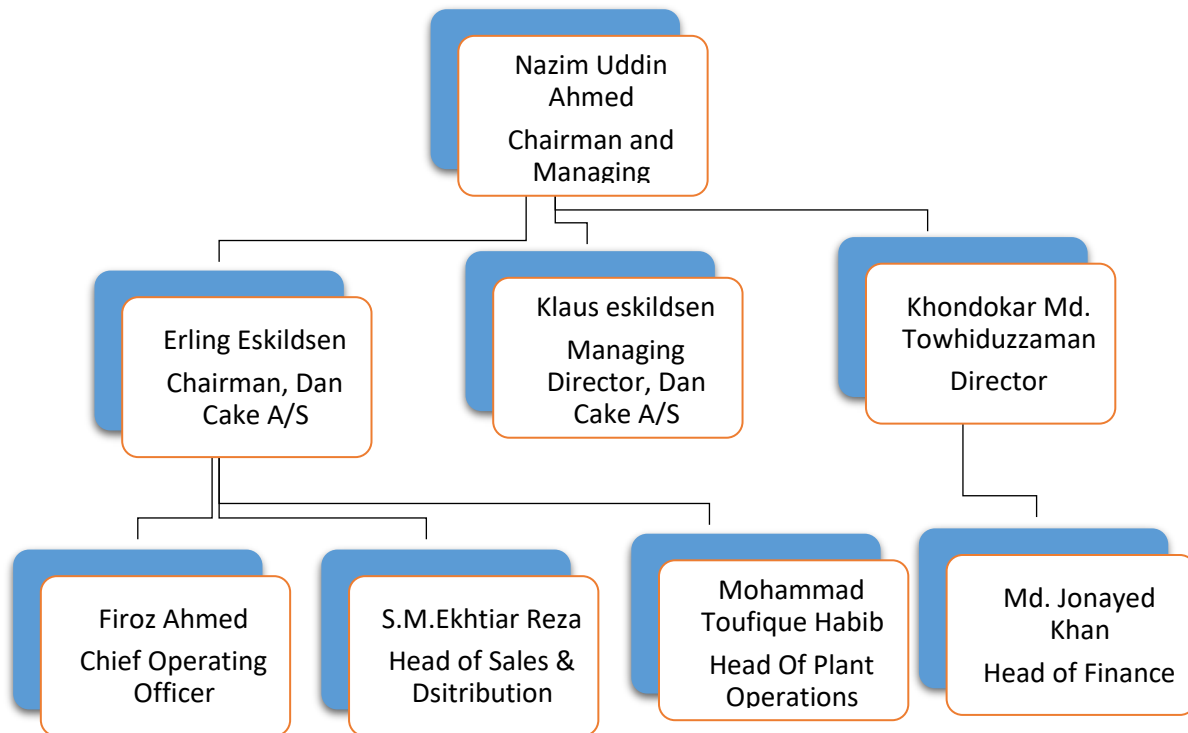
The rates of depreciation of PPE are as follows:

Furniture & Fixture	10%
Computer & Accessories	33%
Vehicles	20%
Factory Building	5%
Office Equipment	10%
Plant and Equipment	10%
(Plant and Equipment) Printing Cylinder	33%

2.5 Safety Rules

1. Follow all safety precautions during any electrical work on all sites.
2. Make sure you have all of your tools on hand during the job and that they are in good physical condition.
3. Make sure your shoes are on while doing any electrical or installation work.
4. Take extra precautions when working on projects and using meters in high-voltage areas.
5. While handling heavy equipment, special attention should be paid to avoid any sort of damage on the floor while working with ladders on the floor.
6. Make sure that the rungs are in good condition.
7. When working with batteries or chemicals, keep an eye out for splits. In the event of such splits, immediately wash the affected area with water several times.

2.6 Board of Directors of Dan Foods Limited



2.7 Corporate Profile

Dan Foods Limited	: Dan Cake is a brand of Dan Foods Limited. Dan cake is a product of the Dan Group of Industries. Dan Cake is the only Bangladeshi food company that exports food and other food-related items to a variety of nations.
Established	: Dan cake founded in 1931, (Bangladesh 2014)
Organized	: Board of directors.
Head Office	: House # 43, Road # 35A (3rd Floor) Gulshan-2, Dhaka-1212
No. of Employee	: 1015
No. of Products	: 53
Source of fund	: Mercantile Bank Limited

2.8 Covid -19 Safety Rules

1. Keep a 2-meter space between you and the other person!
2. Hands must be washed!
3. When in the workplace, cover your mouth and nose!
4. Rooms should be ventilated.
5. If you are sick, stay at home.

Chapter-3

SWOT & PESTEL Analysis

3.1 Factors affects Dan Foods Limited

Here we will assess the impact of macro-economic factors by PESTEL analysis, which consists of political, economic, social, technological, ecological, and legal aspects. The factors are given below:

The Economic Condition: Interest rates, inflation changes in disposable income, stock market fluctuations, foreign exchange rates, financing organizations' investment opportunities and the stage of the general business cycle are some of the economic factors that can affect management practices on Dan's Cake. We can further divide the economic conditions into a few parts based on their type. These are the following:

- 01. Change in Inflation:** The present scenario is if there any changes in inflation, it may create an impact on Dan cake action in various ways. A potential rise in inflation rates would mean that the cost of raw materials would increase thus decreasing the profit margin of Dan cake. If inflation increases, this would translate in increased products prices.
- 2. Change in Exchange Rates:** Considering the status of the occurrence of the change in exchange rates, potential the change in exchange rate had some significant impact on the action of Dan's Cake. As Dan Cake operates their business all around the world, they may face the problem of a decision-making process. Exchange rates would play a major role.
- 3. Change in Interest Rates:** A change in interest rates is a potential factor. Dan's cake business will be directly affected by the change in interest rates. Interest rate changes also affect individuals or customers. If interest rates change, the incentive for individuals to take out loans to buy goods will also change.
- 4. Change in Gross Domestic Product:** Considering the status of the occurrence of the change in Gross National Product, we will see that it is a potential factor. The Gross National Product (GNP) is the total taka value of all final goods and services produced for consumption in society during a particular time period. If the Gross Domestic Product rises, so does the total taka value of all final goods and services produced for societal consumption, and vice versa. It is a present factor for Dan Cake while taking action in Bangladesh.

5. **Unemployment Rate Change:** The unemployment rate represents how many people are still unemployed as a percentage of the labor force. The status of the occurrence is present. The actions of Dan Cake may not be affected by the change in the unemployment rate.

3.2 PESTEL Analysis

1. **Technological Condition:** Technological conditions are one of the most rapidly changing environmental factors for any business organization. Making and continuing a business with these factors is very risky. Technology has changed the fundamental way that organizations are structured and managed. In the technology aspect, Dan's Cake is well equipped and is usually way ahead of most of the food industry players as it continuously invests in its plant facilities to upgrade its manufacturing processes and make them more effective and efficient. Therefore, competitors' advancement in technology usually does not worry Dan Cake. We can further divide the technological factors into a few parts based on their type.
2. **Political Legal Condition:** Political conditions include various federal, state, and local laws as well as global laws that an organization must abide by other sectors of the political legal sector. The political environment is really not much of an issue regarding Dan's Cake Foods business operations. As of now, Bangladesh is governed by a political government. Before this government took over power, Bangladesh saw unprecedented political unrest for quite some time.
3. **Political Unrest:** we consider the status occurrence political unrest, than can see that it's low potential factor. Political unrest can greatly affect the decision making process Dan cake foods Limited. Political disturbance has potential impact the actions and organization. Recently Dan cake may be disturbed by many political problems.
4. **Demographical Condition:** Demographic conditions encompass trends in population characteristics such as gender, age, level of education, geographic location, income, and family composition. Managers plan according to the changes in these characteristics.
5. **Socio-cultural Conditions:** These environments basically include the values, beliefs, traditions, customs, language, and forms of a society. It is very important for any business, because customers actually emerge from these sections. As these values, customs and tests change. Managers must also change. Socio-cultural trends may pose a potential challenge to manager decisions and actions. For example, Dan's Cake has to make new products as their existing product demand has fallen or for newly made diseases. Because a customer's tastes or preferences have changed a lot. Dan's Cake also contributes to a lot of the social programs needed by needy groups in society.

3.3 SWOT Analysis of Dan Foods Limited

Strategic planning involves a scan of the internal and external environment. Internal environmental elements are typically characterized as strengths (S) or weaknesses (W), whilst external environmental factors are classified as opportunities (O) or dangers (T). A SWOT analysis is a method of assessing the strategic environment.

The SWOT analysis is useful in matching a company's resources and capabilities to the competitive environment in which they operate. As a consequence, it is vital to the development and implementation of strategies.

STRENGTHS

1. A competitive edge can be gained by utilizing Dan Foods Limited's resources and competencies. Some instances of such assets are as follows:
2. Brand names, image, and reputation are all crucial considerations.
3. Products of higher quality are
4. In terms of pricing, the advantages of unique expertise are numerous.
5. Customer-friendly
6. Obtaining more advantageous access to distribution networks
7. Tender follow-up is required.
8. The number of people on hand is sufficient.
9. It's critical to remember that mastering a new skill is a process.
10. It is possible to generate sufficient technical work.
11. You can make a profit with smart management.
12. An efficient financial administration

WEAKNESSES

1. A high-priced building
2. The best natural resources are in short supply.
3. Significant distribution channels have been slashed.
4. Importing raw resources has a hefty cost.
5. Insufficient financial resources
6. Untrained sales and customer service representatives
7. There are numerous competitors on the field.
8. We are not yet ready to expand geographically.

OPPORTUNITIES

1. With adequate labor accessibility, the ability to develop in the near future
2. Expanding into new geographic areas
3. Arrival of cutting-edge technologies
4. A good field of business
5. Removal of international trade barriers
6. A developing market like the web
7. Mergers, joint ventures, or strategic alliances
8. Moving into new market segments that provide improved profits.
9. A new international market.
10. A market vacated by an ineffective rival
11. With growing hospitals, demand can unendingly rise.
12. With the growing relationship with the client, more business is anticipated.

THREATS

1. Changes in consumer tastes that are unrelated to the company's products
2. Emergence of substitute merchandise
3. New rules
4. Increased trade barriers
5. A new challenger in your home market
6. Price wars with competitors
7. A challenger incorporates a new, innovative product or service.
8. Competitors have superior access to channels of distribution.
9. Taxation on your product or service is introduced.
10. Principal management is difficult.
11. Low-value products from China are one of the best threats.

Chapter-4

Theoretical Aspects of Financial Statement Analysis

4.1 Financial Analysis

The assets, liabilities, and owner's equity of a company entity are all listed on the balance sheet. It shows the company's financial situation. The following are the categories for assets and liabilities:

- **Current Assets:** Assets that can be converted into cash in a short period of time, usually less than a year, without disrupting routine activities. Cash, accounts receivable, marketable securities, inventories, and prepaid expenses are examples of current assets.
- **Investments:** Long-term notes and fixed assets are examples of investments that should be held for more than a year.
- **Property, plant, and equipment:** These assets are classified as fixed assets because they are acquired for long-term use in the firm.
- **Intangible Assets:** Goodwill, trademarks, patent rights, copyright, legal contracts, and leases are examples of non-physical assets. Noncurrent assets include investments, property, plant and equipment, and intangible assets.
- **Existing Liabilities:** Existing debts must be settled within a year without disrupting normal business operations. Payables, unearned revenue, and accrued expenses are examples of current liabilities.
- **Long-term Liabilities:** The most typical long-term liabilities are debts that are not due within one year but are due over a period of time, such as bond payments and pension obligations. Non-current liabilities is another name for it.
- **Owner's Equity:** Common stocks, or shares; additional money paid up; and retained earnings make up the owner's equity.

Statement of Charges in Owner's Equity

The statement is intended to describe how transactions affect equity over the course of an accounting period. It reflected any new capital acquisitions made during the period and contained the beginning and ending balances for the amount of donated capital. It also indicates the percentage of retained earnings that are kept in the company.

4.2 Financial Rules

Dan Foods Limited has the following financial guidelines that assist in making financial decisions:

1. All directors must carefully regulate spending within the budget and meet targets.
2. Mid-term financing requirements cannot be accommodated unless absolutely necessary.
3. The Finance Director, who was delegated by the Board of Directors to implement the budget established by the Board of Directors, will supervise all Acts, Finance, and Commercial Activity. In the event of a snag, the finance director will consult with the MD.
4. Short-term loans, such as LTR/SOD, will be considered. Any department seeking support for an LTR or SOD loan should pledge in writing to the Finance Director the projected timing of return beforehand. For approval, the Finance Director will present this at the monthly board meeting. Unless the loans are repaid, the interest will be paid to the accounts on a regular basis.
5. Finance must approve any cash or credit imports in advance. Approval can only be granted if it can be demonstrated that the funds required will be provided following shipment.
6. All credit sales are subject to finance approval. Sales C, on the other hand, will be approved once a month. An annex contains a list of credit and monetary limits. In all circumstances, company loans should be kept to a minimum. At this stage in the company's development, no long-term loans against company assets will be permitted.
7. Advances taken for any reason must be adjusted every month, otherwise the accounts may refuse additional advances.
8. Every year, targets will be defined at the start of the period and will be kept in the budget and target file.
9. When funds are available, the Board of Directors may give extra funds to any profit center according to investment regulations.
10. Development and reserve funds can be used to cover backlogs from prior loans until the company's liabilities are neutralized. The development fund will only be used for new innovations.

4.3 Cash Flow Statement

The cash flow statement is prepared in accordance with BAS-7, titled "Cash Flow Statement," and it has been presented under the indirect method. During the accounting period, the statement explains how a corporation obtains and utilizes cash. Cash inflow refers to the sources of cash, whereas cash outflow refers to the use of cash. This cash flow is generated by the three activities listed below.

(a) Operating Activities

1. Inflow of revenue from sales, commissions, fees, interest, and dividends;
2. Outflow of cash for inventories, salaries, operational expenditures, interest, and taxes.

(b) Investing Actions

1. Cash inflow from cash received from the sale of property, plants, equipment, and marketable securities, as well as loan collection;
2. Cash outflow from the acquisition of property, plants, equipment, and marketable securities, as well as loans to others.

c) Financial Operations

1. Cash inflows from stock offerings and borrowed funds from others (shareholders);
2. Cash outflow from treasury stock purchases, debt repayment, and dividend payments.

Revenue recognition policy

In compliance with the requirements of BAS-18 Revenue, sales are recognized once delivery is made, i.e. risk and rewards of ownership passes to the buyer.

Cash and cash equivalent

Cash and cash equivalents include Cash in hand, Cheques in hand, Cash at banks which are available for use by the company without any restrictions.

Comparative information

Comparative information has been disclosed in respect of the period ended June 30, 2016 for all numerical information in the financial statements and also the narrative descriptive information where it is relevant for understanding of the current year's financial statements.

Finance income and finance cost

Finance income comprises interest income on funds invested. Interest income is recognized as it accrues in the statement of profit & loss and other comprehensive income using the effective interest rate.

Finance cost comprises interest expense on overdraft and on facility taken from bank/financial institution. All finance costs are recognized in the statement of profit & loss and other comprehensive Income

Provisions

Provisions are recognized at the reporting 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.

Chapter-5

Financial Performance Analysis of Dan Foods Limited

5.1 Ratio Analysis of Dan Foods Limited

Financial ratio analysis is the calculation and comparison of financial ratios obtained from a company's financial statements. These ratios can be used to make judgments about a company's financial situation, operations, and investment attractiveness based on their current levels and past trends. They're good markers of a company's performance and financial health.

Financial ratios are calculated using data from a company's financial statements in one or more ways. The information provided by the financial statements can be used to determine the majority of the ratios. A financial ratio is a meaningless piece of data when used alone. In context, however, a financial ratio can provide an outstanding picture of a company's status and emerging patterns to a financial analyst.

When a ratio is compared to other data and standards, it becomes more useful. For example, a 20% gross profit margin for a corporation is useless in and of itself. If we know that this company's competitors have profit margins of 10%, we can conclude that it is more profitable than its contemporaries in the industry, which is a good thing. If we also know that the historical trend is rising, for example, and has been consistently increasing over the last few years, it's a good sign that management is putting in place strong business policies and strategies.

Financial ratios can be categorized based on the data they give. Each area provides information on many aspects of a company's finances and activities. The ratios listed below are often utilized.

Liquidity ratios tell you how well a company can meet its short-term financial obligations. In general, the higher the ratio's value, the greater the company's margin of safety for covering short-term loans. They are particularly interesting to people who provide the company with short-term loans. Liquidity ratios are widely used by bankruptcy analysts and mortgage originators to examine whether a firm can continue as a going concern.

Leverage Ratio

1. These show how much debt a corporation has in its capital structure. Any ratio used to compute
2. A company's financial leverage to gain a picture of the company's financing techniques or
3. Analyze the company's capacity to meet financial obligations.
4. There are various different ratios to consider, but the four key ones are debt, equity, assets, and interest expenses.

Efficiency ratios show how effectively a company uses its resources. These use turnover measures to indicate how effective a company's operations and asset utilization are. Asset turnover ratios, asset usage ratios, and asset management ratios are some of the terms used to describe them.

These represent the return on sales and capital utilized using margin analysis. Profitability ratios are used to evaluate a company's success. These ratios are calculated using two sources:

1. The income statement's ability to recover costs and expenses, and
2. The balance sheet's ability to make revenue on the assets used

The importance of the right context for ratio analysis cannot be overstated. A cross-industry comparison of steady utility firms and cyclical mining companies' leverage would be worse than useless. Examining a cyclical company's profitability ratios over a shorter period than a full commodities or business cycle will not provide an appropriate long-term estimate of profitability. Historical data that is not influenced by fundamental changes in a company's condition or prospects can only forecast so much about future patterns.

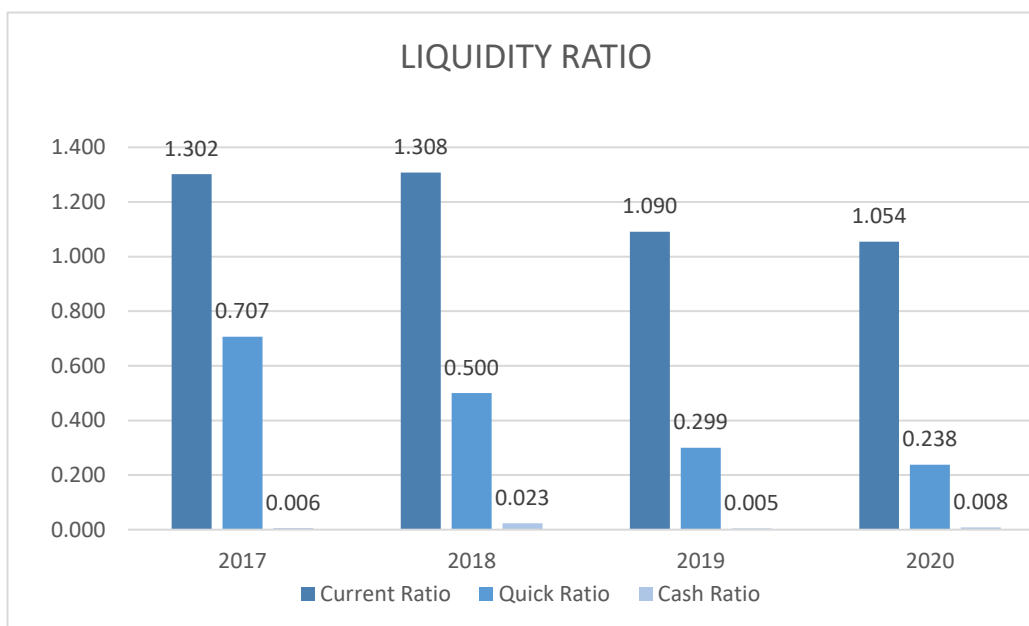
Liquidity ratios tell you how well a company can meet its short-term financial obligations. In general, the higher the ratio's value, the greater the company's margin of safety for covering short-term loans. They are particularly interesting to people who provide the company with short-term loans. Liquidity ratios are widely used by bankruptcy analysts and mortgage originators to examine whether a firm can continue as a going concern.

Ratio analysis is the necessary tool for the analysis of financial performance. It's outlined because of the systematic use of magnitude relations to interpret the monetary statements in order that the strengths and weaknesses of an organization, as well as its historical performance and current economic condition, are often determined. It means that ratios are often classified into four broad groups.

1. Liquidity Ratio
2. Leverage Ratio
3. Profitability Ratio
4. Activity Ratio

5.2 Liquidity Ratios:

Liquidity Ratio				
Particulars	2017	2018	2019	2020
Current Ratio	1.302	1.308	1.090	1.054
Quick Ratio	0.707	0.500	0.299	0.238
Cash Ratio	0.006	0.023	0.005	0.008

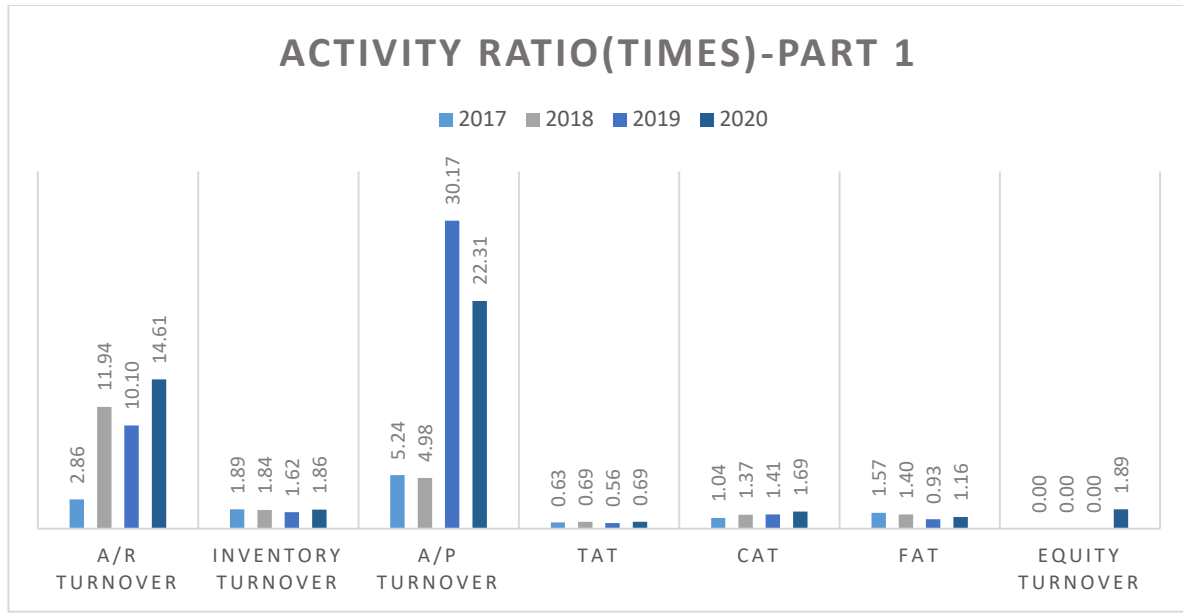


Interpretation:

Liquidity ratio has decreased which is not good for the company. Liquidity ratio shows how smoothly a company can handle its current liabilities through current assets. To increase the current ratio company need to decrease their current liabilities and increase their current assets. Current Assets is greater than Current Liabilities, we interpret that the company can liquidate its current assets and pay off its current liabilities and survive at least for one cycle. Company Increase their inventories. Inventories are much less liquid assets than receivables. They can increase cash, A/R and other marketable securities which are fast liquid.

5.3 Efficiency & Activity Ratios:

Activity Ratio				
Particulars	2017	2018	2019	2020
A/R Turnover	2.86	11.94	10.10	14.61
Inventory Turnover	1.89	1.84	1.62	1.86
A/P Turnover	5.24	4.98	30.17	22.31
TAT	0.63	0.69	0.56	0.69
CAT	1.04	1.37	1.41	1.69
FAT	1.57	1.40	0.93	1.16
Equity Turnover	0.00	0.00	0.00	1.89



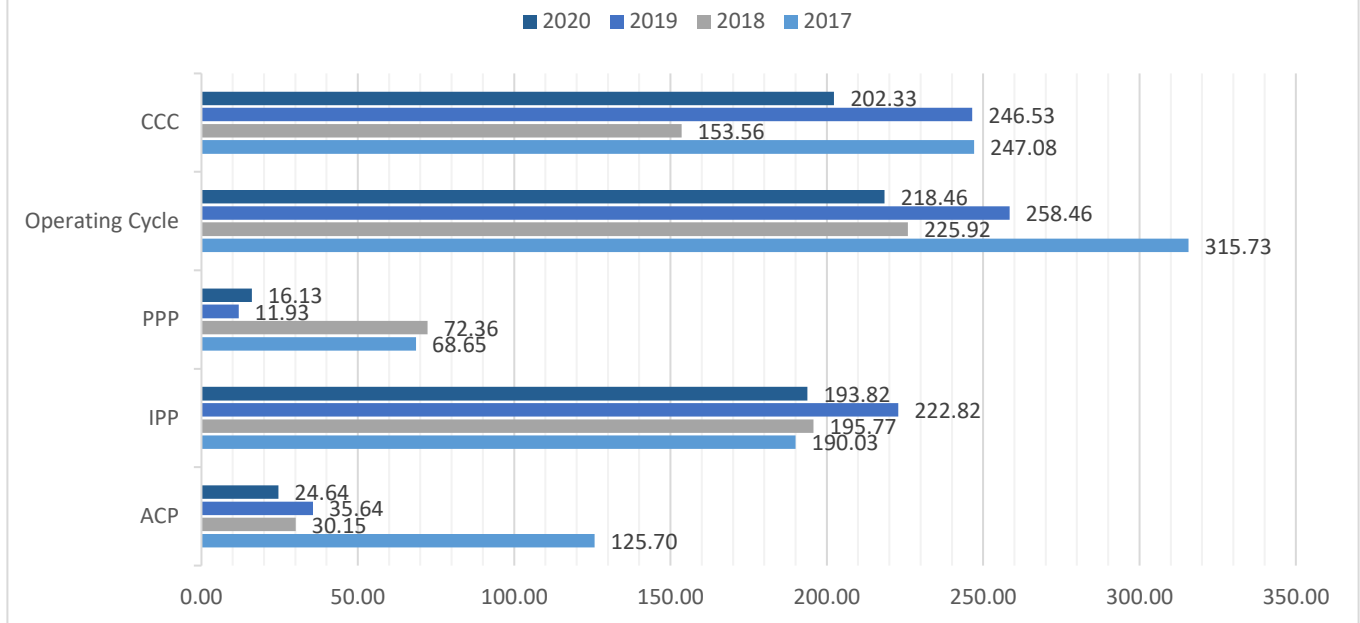
Interpretation:

Efficiency ratios measure a company's ability to use its assets and manage its liabilities effectively. Here, we can see that A/R Turnover, Inventory Turnover, TAT, CAT, FAT, Equity Turnover has increased and A/P has decreased which is good. This all shows that company is able to use their assets effectively. The inventory turnover ratio is used to determine if sales are enough to turn or use the inventory. A high asset turnover ratio means the company uses its assets efficiently, while a low ratio means its assets are being used inefficiently. The receivables turnover ratio measures a company's efficiency to collect debts and extend credit.

5.4 Activity Ratios:

Activity Ratio				
Particulars	2017	2018	2019	2020
ACP	125.70	30.15	35.64	24.64
IPP	190.03	195.77	222.82	193.82
PPP	68.65	72.36	11.93	16.13
Operating Cycle	315.73	225.92	258.46	218.46
CCC	247.08	153.56	246.53	202.33

ACTIVITY RATIO(DAYS)-PART 2



Interpretation:

ACP shows after how many days a company collect money from its A/R. Here, the collection period has decreased which is good. IPP shows after how many days a company collect/buy inventory. Dan foods Limited is able to reduce their IPP which is in the favor of the company. Cash conversion is decreasing which is good.

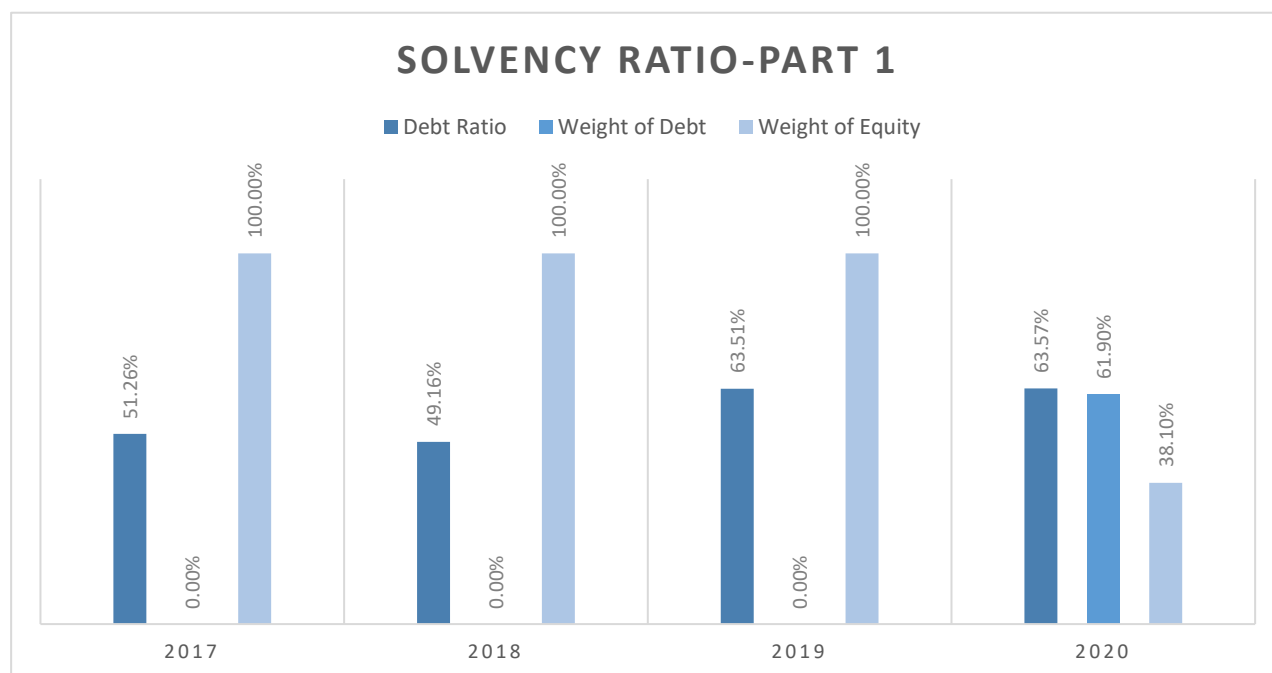
5.5 Solvency Ratios:

$$\text{Debt Ratio} = \frac{\text{Long Term \& short term debt}}{\text{Total Asset}}$$

Debt-Equity Ratio =

$$\frac{\text{Long Term \& Current portion of long term debt}}{\text{Total Equity}}$$

Solvency Ratio				
Particulars	2017	2018	2019	2020
Debt Ratio	51.26%	49.16%	63.51%	63.57%
Weight of Debt	0.00%	0.00%	0.00%	61.90%
Weight of Equity	100.00%	100.00%	100.00%	38.10%

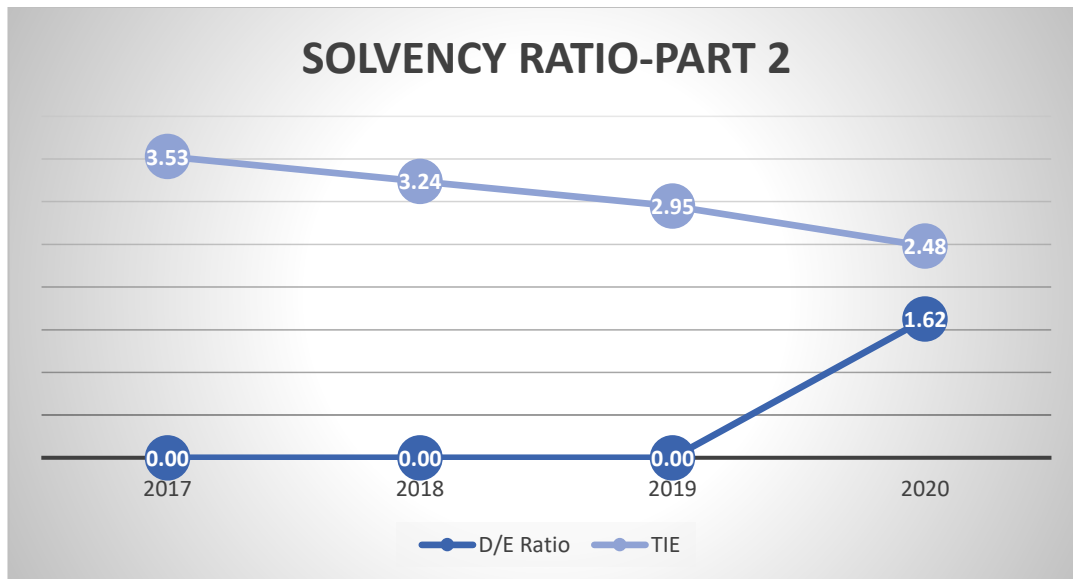


Interpretation:

Solvency ratio shows how much Money Company have collect from external sources. If they take loan then it will be benefit able for the company cause then company need to pay less tax. Dan Foods Limited has taken much loan which is good for the company. Here we can see Dan Foods Limited has collected 60% money from debt and 40% money from equity.

Solvency Ratio:

Solvency Ratio				
Particulars	2017	2018	2019	2020
D/E Ratio	0.00	0.00	0.00	1.62
TIE	3.53	3.24	2.95	2.48

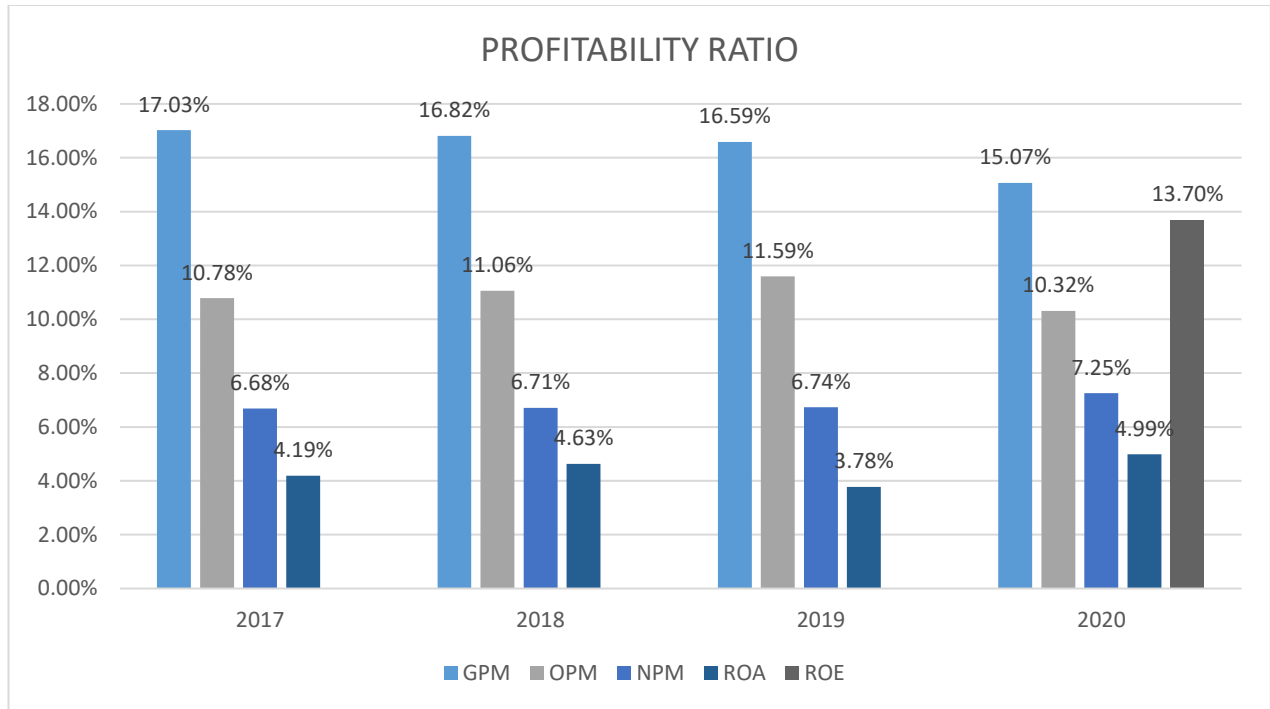


Interpretation:

Measures the number of times interest expense is converted to income, and if the company can pay its interest expense using the profits generated. Time interest earned ratio has decreased company need to increase the TIE ratio then bank will show interest to give loan. D/E ratio evaluates the capital structure of a company. Dan Foods Limited is a manufacturing company so they can increase the amount of debt.

5.6 Profitability Ratios:

Profitability Ratio				
Particulars	2017	2018	2019	2020
GPM	17.03%	16.82%	16.59%	15.07%
OPM	10.78%	11.06%	11.59%	10.32%
NPM	6.68%	6.71%	6.74%	7.25%
ROA	4.19%	4.63%	3.78%	4.99%
ROE				13.70%



Interpretation:

Evaluates how much gross profit is generated from sales. Gross profit margin has decreased because company increased their cost of goods sold. Operating profit margin has also decreased because company’s operating expense has increased. They should manage their cost efficiently. ROA is used in evaluating management's efficiency in using assets to generate income. ROA has increased it is good for Dan Foods Limited.

5.7 DuPont Analysis

DuPont Analysis				
Particulars	2017	2018	2019	2020
EBIT Margin	0.11	0.11	0.12	0.10
Interest Burden	0.73	0.71	0.69	0.80
Tax Burden	0.85	0.86	0.84	0.88
TAT	0.63	0.69	0.56	0.69
EM				2.74
ROE	4.19%	4.63%	3.78%	13.70%

Interpretation:

A DuPont analysis is used to evaluate the component parts of a company's return on equity (ROE). This allows an investor to determine what financial activities are contributing the most to the changes in ROE. Total asset turnover and equity multiplier has increased which is positively affecting the return on equity. EBIT Margin is negatively affecting the ROE.

Suggested Actions to Boost up ROE:

A little bit change in equity multiplier can affect the return on equity a lot. EM is the most sensitive factor. After that total asset turnover is second sensitive factor. Total asset turnover shows how efficiently company has used its assets to get return on it. Company need to pay more attention on EBIT Margin because it is negatively impacting the return on equity. If they give more attention on EBIT Margin and tax burden and interest burden then company will be able to increase their return on equity. If EBIT increase then it will affect the roe positively for which company need to reduce their cost efficiently.

5.8 Trend Analysis

Dan Foods Limited				
Balance Sheet				
As on December 31, 2017 to 2020				
Particulars	2017	2018	2019	2020
Non-current assets:	100.00%	124.63%	229.16%	254.00%
Property, Plant & Equipment	100.00%	104.53%	174.62%	180.60%
Capital Work in Progress	100.00%	688.28%	989.25%	467.79%
investment in Property			100.00%	99.00%
Investments in Associates			100.00%	14768.42%
Current Assets	100.00%	84.86%	101.39%	115.82%
Inventories & Stores	100.00%	114.69%	160.89%	196.26%
Trade & Other Receivable	100.00%	26.63%	38.70%	36.85%
Advance, Deposits & Prepayments	100.00%	121.60%	74.00%	61.56%
Other Receivables				

Investments	100.00%	122.16%	108.29%	142.06%
Cash and Cash Equivalents	100.00%	354.10%	98.26%	197.88%
Total Assets	100.00%	100.77%	152.49%	171.08%
Shareholders' Equity	100.00%	105.13%	114.18%	127.89%
Issued, Subscribed and Paid-up Capital	100.00%	107.00%	117.70%	123.58%
Holding gain reserve	100.00%	56.07%	109.20%	101.88%
Share Premium	100.00%	100.00%	100.00%	100.00%
Retained Earnings	100.00%	107.41%	126.92%	176.24%
Tax Holiday Reserve	100.00%	100.00%	100.00%	100.00%
Total Equity				
Non-Current Liabilities	100.00%	205.13%	794.97%	829.51%
Long Term Loan	100.00%	209.09%	814.08%	850.92%
Deferred Tax Liabilities	100.00%	53.22%	61.55%	7.66%
Current Liabilities	100.00%	84.47%	121.03%	143.01%
Long Term Loan (Current Portion)	100.00%	78.01%	185.25%	294.93%
Short Term Borrowings/Loan (Secured)	100.00%	72.48%	142.36%	155.83%
Trade Payables	100.00%	117.35%	23.85%	45.22%
Provision for Expenses/Liabilities For Expenses	100.00%	157.88%	209.00%	240.36%
Provision for Current Tax	100.00%	92.05%	136.11%	188.59%
Total Shareholders' Equity & Liabilities	100.00%	100.77%	152.49%	171.08%
Net Asset Value Per Share (NAV)	100.00%	98.27%	97.01%	103.50%

Dan Foods Limited

Income Statement

For the year ended on December 31, 2017 to 2020

Particulars	2017	2018	2019	2020
Revenue	100.00%	111.05%	136.49%	187.98%
Less: Cost of Goods Sold	100.00%	111.33%	137.22%	192.42%
Gross Profit	100.00%	109.67%	132.95%	166.36%
Less: Operating Expenses	100.00%	102.35%	109.11%	143.08%

Administrative & General Expenses	100.00%	103.42%	108.26%	143.90%
Selling & Distribution Expenses	100.00%	97.01%	113.35%	138.97%
Profit/ (Loss) from Operation	100.00%	113.92%	146.75%	179.84%
Add: Other Income	100.00%	211.92%	104.20%	103.03%
Non-Operating Income/ Expense		100.00%	527.26%	810.68%
Profit/ (Loss) before Financial Expenses	100.00%	115.04%	149.78%	184.45%
Less: Financial Expenses	100.00%	124.12%	175.65%	255.85%
Foreign Currency Exchange (Gain) / Loss	100.00%	89.39%	109.50%	147.11%
Gain/(Loss) on Investment in shares				
Net Profit/ (Loss) before WPPF	100.00%	111.32%	139.41%	197.38%
Less: Provision for Workers Profit Participation Fund		100.00%	119.96%	171.07%
Net Profit before Tax	100.00%	110.90%	138.90%	196.66%
Less: Provision for Tax	100.00%	107.29%	146.43%	154.02%
Current Tax	100.00%	113.13%	141.65%	160.05%
Deferred Tax	100.00%	365.32%	-65.05%	420.82%
Net Profit after Tax	100.00%	111.52%	137.60%	204.05%
Basic Earnings Per Share (EPS)	100.00%	101.16%	125.00%	176.74%

Chapter-6

Findings, Recommendations and Conclusion

6.1 Findings

From the report, I get some positive and negative findings of Dan Foods Limited by analyzing their performance. The findings are necessary for the company to take corrective measures. So, I disclose the findings below:

Positive Findings:

1. Efficiency ratios measure a company's ability to use its assets and manage its liabilities effectively. Here, we can see that A/R Turnover, Inventory Turnover, TAT, CAT, FAT, Equity Turnover has increased and A/P has decreased which is good. This all shows that company is able to use their assets effectively.
2. ACP shows after how many days a company collect money from its A/R. Here, the collection period has decreased which is good. IPP shows after how many days a company collect/buy inventory. Dan foods Limited is able to reduce their IPP which is in the favor of the company. Cash conversion is decreasing which is a good sign for the company.
3. Solvency ratio shows how much Money Company have collect from external sources. If they take loan then it will be benefit able for the company cause then company need to pay less tax. Dan Foods Limited has taken much loan which is good for the company. Here we can see Dan Foods Limited has collected 60% money from debt and 40% money from equity.
4. Additional innovative technology has been incorporated into their manufacturing process. Use of recently updated software across departments to complete the assignment, which I believe will make the work more practical and cost-effective. It will also save you a lot of time and effort.

Negative Findings:

1. Liquidity ratio has decreased which is not good for the company. The Current Ratio of the company has decreased from 1.302 to 1.054 during 2017 to 2020 and the Quick Ratio has also decreased from 0.707 to 0.238 which is not a positive indication for the company. A current ratio of below 1 means a company's short-term assets are not enough to meet its current debt obligations. The liquidity ratio indicates a company's ability to pay off its current liabilities.
2. Payable payment period has decreased then previous year's Company need to focus on inventory management they should increase the payable days. PPP has started decreasing from 2017 which was 68.65 and in 2020 it becomes 16.13 days. It is not favorable for the

company.

3. Operating cycle shows how many days a company take to turn there raw materials into finished goods. They should decrease operating cycle.
4. Gross profit margin has decreased because company increased their cost of goods sold. The company's GPM has decreased from 17.03% to 15.07% from 2017-2020. A greater gross profit margin indicates that the corporation has more cash available to cover indirect and other costs. As a result, it's a crucial ratio for business owners and financial specialists to use when evaluating a company's financial health. The gross profit margin ratio is commonly used to compare organizations within the same industry or to analyze a company's success over time.
5. Operating profit margin has also decreased because company's operating expense has increased. The OPM has decreased from 10.78% to 10.32%.Increasing cost of goods sold and declining operating profit could suggest that you have increased operating costs that you haven't been able to overcome by adding more consumers or raising prices.
6. It was discovered that their pricing strategy is more expensive than their competitors' since the cost of raw materials is more because they provide a higher quality product, and labor costs are higher.

6.2 Recommendation

Based on findings it can be recommended to progress in future. The recommendations are disclosed below:

1. Company should greatly focus on increasing liquidity. A higher liquidity ratio means that your business has a more significant margin of safety with regard to your ability to pay off debt obligations.
2. Need to Improve Payable Payment Period. The company should focus to reduce average collection day & inventory processing so that their operating cycle can increase as well as they should focus to increase payables payment period from its account's payables.
3. Higher Gross Margin ratio is better for the company but Dan Foods Limited's Gross profit Margin decreasing. So, their main mission should be growing up their sales volume
4. Efficient Cost Management is required. If they try to increase their Operating Profit margin, they must be controlling their total operating cost.
5. Operating profit margin is decreasing. If they want to increase their net profit margin they should be more concerned about their sales to increase more and more. If sales grow up, then net profit margin also will grow up. To counterbalance rising operating costs, a successful

company often develops its client base and revenue over time.

6. They need to seek for arranging ingredients from inside the country maintaining quality to reduce the cost.

6.3 Conclusion

Dan Foods Limited has been established with the aim to provide consumers with the most effective tasting work product from Dan Cake. By supply the best raw materials from the most effective sources to confirm the world's quality benchmark. Most of the raw materials come from Dan Cake A/S, Kingdom of Denmark, and products are manufactured as per the instructions of Dan Cake A/S, Denmark, and under the supervision of a Danish baker. The ultimate objective of the company is to provide high quality product and establish them as a prestigious organization in the country and abroad for a strong identity. Dan Foods Limited needs to broaden its product offering. Product diversity denotes the various types of things that make up the company's various functions. Additional innovative technology has been incorporated into their manufacturing process. Staff and employee remuneration structures should be improved. Use of recently updated software across departments to complete the assignment, which I believe will make the work more practical and cost-effective. By offering prizes and incentives, employees can be evaluated for their excellent performance.

Dan Foods Limited should make an effort to fulfill some social responsibilities, such as establishing a hospital and providing medical services to any rural areas for a set period of time. Modern and versatile software solutions should be used to operate the process of keeping records and invoices so that a recheck may be performed at any moment. Each record and activity should be cross-checked, and this should be taught and practiced. Dan Foods Limited should also focus on growing the other areas of operation in addition to distribution. Brand equity in terms of market share should be the most important focus right now, because distribution alone won't help if customers don't want the product.

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