

# A STUDY ON FINANCIAL PERFORMANCE WITH REFERENCE TO KUSALAVA INTERNATIONAL LTD

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**Abstract** - the study aims to analyze the financial performance of Kusalava International Ltd. using various financial analysis tools, including ratio analysis, funds flow statements, and other performance statements. The objectives include evaluating changes in the firm's financial position, analyzing sources and uses of funds, comparing financial performance across different years, and providing suggestions for improving financial performance. The study focuses on the financial aspects of the firm and is conducted within the finance department of Kusalava International Ltd.

**Keywords**– Financial Performance Ratio Analysis Liquidity Ratios Leverage Ratios, Activity Ratios, Profitability Ratios, Current Ratio, Quick Ratio, Cash Ratio, Net Working Capital Ratio .

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## I. INTRODUCTION

The introduction highlights the challenges businesses face in acquiring funds and determining optimal methods for employing those funds. In a competitive marketplace, business managers must actively manage their funds to achieve their goals, using financial tools to determine the lowest cost of funds and the activities that will provide the greatest return on invested capital. The important goals of financial management are:

- [1] Wealth maximization of shareholders
- [2] Liquidity
- [3] Profitability of the firm

The introduction also outlines the functions of financial management, which include raising funds, investing in assets, and distributing returns earned from assets to shareholders. These functions are known as financing, investment, and dividend decisions, respectively. Additionally, liquidity decisions are added to the list of important finance functions. The financial manager performs tasks that help achieve the firm's operating objectives, striving to maximize the market value of shares while balancing cash inflows and outflows.

## II. LITERATURE REVIEW

However, it references various financial concepts, tools, and methodologies, which could be considered part of a broader literature review. These include:

### 2.1 Definitions of Financial Management

#### [1] Ratio Analysis

Ratio analysis is described as a powerful tool for financial analysis, helping to establish and interpret relationships between financial data. It is used to analyze financial strengths and weaknesses and to make decisions.

**[2] Functions of Financial Management:**

Investment decisions (capital budgeting) ,Financing decisions (capital structure) .Dividend decisions, Liquidity management.

**[3] Need for Ratio Analysis:**

Ratio analysis is emphasized as critical for understanding profitability and liquidity, with its importance varying across firms.

**[4] Managerial Uses of Ratios:**

Decision-making, Financial forecasting and planning ,Communication ,Coordination Control

**[5] Limitations of Ratio Analysis:**

Issues such as lack of adequate standards, inherent limitations of accounting, and personal bias are highlighted.

**[6] Classification of Ratios:**

Traditional classification (balance sheet ratios, profit & loss account ratios, composite ratios)

Functional classification (liquidity, leverage, activity, and profitability ratios)

If you are looking for a formal literature review, it would typically summarize prior research and studies related to financial performance and ratio analysis. This document does not provide such a structured review but instead integrates theoretical concepts and definitions throughout.

### **III METHODOLOGY**

The **Methodology** section of the document outlines the approach used to conduct the study on the financial performance of Kusalava International Ltd. It includes the following key points

#### **3.1 Sources of Data:**

**[1] Primary Data:**

Data collected firsthand and original in character.

Not explicitly mentioned as being used in this study.

**[2] Secondary Data:**

Data already collected by someone else and passed through statistical processes.

This study relies on secondary data, which includes:

Annual reports of the company.

Textbooks related to financial management.

#### **3.2 Data Collection:**

The study uses already published sources to gather data for analysis.

#### **3.3 Tools and Techniques:**

The study employs various tools of financial analysis, such as ratio analysis, funds flow statements, and other performance statements, to evaluate the financial performance of Kusalava International Ltd.

This methodology ensures that the study is based on reliable and relevant data, focusing on the financial aspects of the company to achieve the stated objectives.

## IV. RESULTS AND DISCUSSION

### 4.1 Key Findings:

After analyzing the financial position of Kusalava International Limited. It enables on to understand the consistency of financial performance of the firm.

[1] Long term debt ratio should not exceed 1:1. In all years from 2017-2018 to 2021-2022 the debt equity ratio was satisfactory.

[2] The optimum current ratio is 3:1. And in year 2017-2018 it is 3.4 and in year 2018-2019 ratio is 3.1 These two years ratio is at unsatisfactory levels.

[3] General quick ratio is 2:1 and in year 2017-2018 the company is able to meet its immediate debts.

[4] In the net assets ratio in 2017-2018, the turnover ratio is 1.42 signifies that debtors get converted into Cash 1.42 times in a year. Thus it indicates inefficiency of trade credit management.

[5] The fixed asset turnover ratio has been decreasing every year to 3.1 in 2016-2017 to 2.3 in 2009-2010. But it was increasing to 2.8 in the year 2017-2018.

### 4.2 Challenges Identified

1. The project duration was limited to a period of just 45 days, restricting the depth of the analysis.
2. The reliability of the study is dependent on the information provided by officials, which may affect the outcomes.
3. Financial accounting does not account for changes in price levels, potentially skewing results.
4. The study was based on available data from annual and internal reports, which may not cover all aspects.
5. Due to unavailability of data, information was only considered from 4 financial years (Page 14).

These limitations may impact the overall conclusions drawn from the study.

## V. CONCLUSION

The conclusion drawn from the analysis indicates that the overall performance of the company shows improvement; however, there is a need for better management operations to enhance this progress. The company has sufficient resources but must focus on utilizing them properly to strengthen its profitability position, which is currently weak. Despite efforts to overcome losses, the company has not yet achieved its targets. Additionally, the management policies concerning fixed assets aim to effectively utilize these assets while minimizing operating costs.

### 5.1 Recommendations:

[1] Addressing liquidity issues by improving the current ratio to the standard level of 3:1 and the quick ratio to the standard level of 2:1 to prevent liquidity problems.

[2] Enhancing the efficiency in collecting payments to tackle liquidity challenges since the company currently follows a liberal policy in payment collection.

[3] Reducing credit sales by offering cash discounts to encourage faster payments.

[4] Observing and adopting new methods and processing systems within the research and development department to minimize wastages .

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### **IV REFERENCES**

- [1] The references listed in the document include various publications, internet sources, and student papers, which support the research conducted. Some notable references mentioned are
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- [4] Alan Goodacre, "Assessing the potential impact of lease accounting reform: a review of the empirical evidence", Journal of Property Research, 2003 (Page 93).
- [4] Publications related to financial management and operational efficiency from various journals and conferences.