



A Study on Financial Performance of Audit

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ABSTRACT

The aim of study isto identifies the financial performance of the company. The importanceisto analyze the daily demands of running a successful business, however, leave them little to devote this critically important management function.Financial performance is the relationships between perceptions of firms' corporate social responsibility and measures of their financial performance. A firm's prior performance, assessed by both stock-market returns and accounting-based measures, is more closely related to corporate social concern than is subsequent performance.

Key Words: Financial performance, Social responsibility of business, corporate profit.

INTRODUCTION

Financial performance analysis is the process of identifying the financial strengths and weaknesses of the firm by properly establishing the relationship between the items of balance sheet and profit and loss account. It also helps in short-term and long term forecasting and growth can be identified with the help of financial performance analysis. The dictionary meaning of 'analysis' is to resolve or separate a thing in to its element or components parts for tracing their relation to the things as whole and to each other. The analysis of financial statement is a process of evaluating the relationship between the component parts of financial statement to obtain a better understanding of the firm's position and performance. This analysis can be undertaken by management of the firm or by parties outside the namely, owners, creditors, investors

OBJECTIVE

To identify the financial performance of the company.

IMPORTANCE OF THE STUDY

As an effective and profitable business owner, you need to regularly schedule time to analyze your business' performance. Business owners often fall I then into the trap of thinking they know the state of their financial affairs as they become busier. The daily demands of running a successful business, however, leave them little to devote this critically important management function.

FINANCIAL PERFORMANCE ANALYSIS

The term 'financial performance analysis also known as analysis and interpretation of financial statements' , refers to the process of determining financial strength and weaknesses of the firm by establishing strategic relationship between the items of the balance sheet , profit and loss account and other operative data.

Financial performance analysis is a process of evaluating the relationship between component parts of a financial statement to obtain a better understanding of a firm's position and performance.

The purpose of financial analysis is to diagnose the information contained in financial statements so as to judge the profitability and financial soundness of the firm. Just like a doctor

examines his patient by recording his body temperature, blood pressure etc.

Before making his conclusion regarding the illness and before giving his treatment. A financial analyst analyses the financial statements with various tools of analysis before commenting upon the financial health or weaknesses of an enterprise.

The analysis and interpretation of financial statements is essential to bring out the mystery behind the figures in financial statements. Financial statements analysis is an attempt to determine the significance and meaning of the financial statement data so that forecast may be made of the future earnings, ability to pay interest and debt maturities (both current and long term) and profitability of a sound divided policy.

Identify and respond to environmental, social and economic risks & opportunities

Financial performance refers to the act of performing financial activity. In broader sense, financial performance refers to the degree to which financial objectives being or has been accomplished. It is the process of measuring the results of a firm's policies and operations in monetary terms. It is used to measure firm's overall financial health over a given period of time and can also be used to compare similar firms across the same industry or to compare industries or sectors in aggregation.

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FINANCIAL PERFORMANCE :



Sources: Axians is specialized in providing IBM Financial Performance Management solutions

Finances: Finance is the management of money and other valuables, which can be easily converted into cash. Finance is a simple task of providing the necessary funds (money) required by the business of entities like companies, firms, individuals and others on the terms that are most favorable to achieve their economic objectives.

Stock: The goods or merchandise kept on the premises of a shop or warehouse and available for sale or distribution. A supply or quantity of something accumulated or available for future use.

Production: Production is the process of manufacturing or growing something in large quantities. Production is the amount of goods manufactured or grown by a company or country.

Customer Service: Customer service refers to the way that companies behave towards their customers, for example how well they treat them. The service provided to customers.

Research & Development: Research and development (R&D) refers to the investigative activities a business conducts to improve existing products and procedures or to lead to the development of new products and procedures.

Human Resources: A human-resources department (HR department) of an organization performs human



resource management, overseeing various aspects of employment, such as compliance with labor law and employment standards, administration of employee benefits, and some aspects of recruitment and dismissal.

Marketing: Marketing is the activity, set of institutions, and processes for creating, communicating, delivering, and exchanging offerings that have value for customers, clients, partners, and society at large.

Sales: The activity or business of selling products or services. An alternative term for sales revenue or sales volume.

SIGNIFICANCE OF FINANCIAL PERFORMANCE ANALYSIS

Interest of various related groups is affected by the financial performance of a firm. Therefore, these groups analyze the financial performance of the firm. The type of analysis varies according to the specific interest of the party involved.

Trade creditors: interested in the liquidity of the firm (appraisal of firm's liquidity)

Bond holders: interested in the cash-flow ability of the firm (appraisal of firm's capital structure, the major sources and uses of funds, profitability over time, and projection of future profitability)

Investors: interested in present and expected future earnings as well as stability of these earnings (appraisal of firm's profitability and financial condition)

Management: interested in internal control, better financial condition and better performance (appraisal of firm's present financial condition, evaluation of opportunities in relation to this current position, return on investment provided by various assets of the company, etc)

REVIEW OF LITERATURE

Aditya Birla (corporate management audit.com) Group Corporate Management Audit according to the study, Corporate Management Audit is committed towards systems perfection across the group in India and overseas. It has been actively involved in the evolution, implementation and review of internal controls, cost reduction methods. Group policies, effective MIS, assessment and mitigation of

business risks and promoting effective corporate governance, etc. The audit function regularly shares information and best practices among the units and helps the group to keep pace with the fast changing business scenario, resulting in continuous growth of the group as well as value addition to stakeholders.

Alaa-Aldin Abdul Rahim A. Al Athmay (2008), Performance auditing and public sector management in Brunei Darussalam⁶ explains that although performance auditing is envisaged in the legislation, the main thrust of auditing is still on financial and procedural compliance; the paper discusses why this is so and in what circumstances it might change.

G.S. Batra(1997), Management audit as a service to public enterprise management: a study of management audit and the memorandum of understanding (MOU) system in India⁷ the result reviews that there is a constant demand from public enterprise managers for increased autonomy in order to ensure better efficiency and effectiveness in public enterprises. The system of MOU and Management Audit by articulating the missions, objectives and expected results along with the methods of performance evaluation goes a long way towards improving the performance of public enterprises. Hence by adopting these strategies public sector management in India is shaping up to face turbulent times.

Government of Saskatchewan News Release (2007), Results of Independent Forest Management Audit Released, this article refers to the results of the second independent sustainable forest management audit conducted under Saskatchewan's updated legislation were released today, highlighting requirements for monitoring and reporting of forest practices in the province.

Gurdeep Singh Batra, Narinder Kaur(2000), Emerging Dimensions of Audit Accountability: A Case Study of Public Enterprise Management and Efficiency Audit in India⁸ this paper finds that audit control over public enterprises varies from case to case, and the CAG should interpret this power according to the need of situation, and there should be external efficiency audit for public enterprises.

Jacob Sunil(2001), Management Audit – Presentation Transcript⁹ this paper explore that management audit is an independent review and investigation which is concerned with the



identification of those functional and operational areas where management has failed to achieve the required external standards of performance and with evaluation of decision making with the aim of monitoring and improving the efficiency and effectiveness of the organization.

J.P.Srivastav,GirishK.Srisvastav(1996),

Management Audit – A pilot survey of views‘ this paper finds that under changing conditions the current audit system is not sufficient to fulfill the needs of the public, in the coming years management audit of private enterprise may be made compulsory as in public enterprise.

K.S.Chaudhary(1983), Relevance of management audit in modern industrialization‘ this study explores that management audit helps management of the organization in its present and future growth and prosperity through pragmatic and constructive appraisal of all activities of the organization.

RadhaViswanathan(1985), Management audit: Scope &Objective‘ this article show that management audit allows in-depth information to the top management about companies management system inter and intra-department procedures, production methods level requirement of training etc.

VijayKhaana&V.S.Kaveri(2008), Implementing Risk-Based Management Audit in Indian Banks: An Assessment of Organizational Preparedness‘ in this report it is analyzed that, banks in India have made sufficient progress in introducing Risk-Based Internal Audit (RBIA) as per the guidelines of the Reserve Bank of India. But there are numerous issues associated with the implementation of RBIA, which need to be analyzed in order to resolve the same. In this context, a survey of banks was undertaken to assess the progress made in the implementation of RBIA and offer suggestions to resolve the issues, if any. The findings of the survey are interesting and help in identifying the relevant issues. The banks have to go a long way in resolving such issues. The present paper throws light on these aspects.

CONCLUSION

Control cost without sacrificing future growth objectives meets the short-term targets while preserving strategic growth initiatives. Understand what drives cost & profit (or value) Improve agility organizations that can identify opportunities and threats more easily than their competitors understand

the implications, can quickly update strategy and execute it consistently throughout their organization. The Results also show that actions of risk are more closely associated with social responsibility than previous studies have suggested.

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