

A STUDY ON IMPACT OF FINANCIAL STATEMENT TO DETERMINE THE FIRM VALUE OF A GAGAN TOOL TECH COMPANY IN BANGALORE

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ABSTRACT

The purpose of study is to examines the impact of financial statement information on firm values. The study uses panel data with observations from the firms, which are listed in the 5 years data for the period from 2018 to 2022 in a Balance Sheet data and Profit and Loss statement data of Gagan tool tech. the initial regression results show that the growth, firm size, profitability, auditing quality and timeline Ness are positively related to firm values, whereas the capital structure, auditing explanation negatively affect that indicator. The paper also indicates the inconsistency in measuring firms' value by different measures including EV and share price. Moreover, the research results reflect that measuring firms' value by EV is more appropriate. The results of empirical research are instructive for enterprises to improve the usefulness of information in financial statements, thereby enhancing enterprises' values.

keywords: Financial Analysis, Firm's Value, Investment Decisions, Financial Position statement

I. INTRODUCTION

Financial statements, such as the balance sheet, income statement, and cash flow statement, provide crucial information about a company's financial performance and position. These statements serve as valuable tools for investors, analysts, and other stakeholders in assessing a firm's profitability, liquidity, solvency, and overall financial health. The firm value, on the other hand, represents the worth or market value of the company and is influenced by various internal and external factors. "A Study on Impact of Financial Statement to Determine the Firm Value of a Gagan Tool Tech Company in Bangalore" aims to investigate the relationship between financial statements and firm value for Gagan Tool Tech Company, a firm located in Bangalore, India.

In the context of Gagan Tool Tech Company, the study intends to explore how the financial statements impact the firm's value. This investigation is important for both the company itself and potential investors or stakeholders who seek to understand the factors that contribute to the firm's value. By examining the financial statements and analysing their impact, the study aims to provide insights into the financial performance and valuation of Gagan Tool Tech Company.

Additionally, the choice of Bangalore, the technology hub of India, as the location for the study adds significance to the research. Bangalore is known for its vibrant technology and manufacturing sectors, attracting numerous companies operating in these domains. Studying a company based in this dynamic environment allows for a better understanding of the factors influencing firm value within the context of a technology-driven city.

Overall, this study seeks to contribute to the existing body of knowledge regarding the relationship between financial statements and firm value, with a specific focus on Gagan Tool Tech Company in Bangalore. The findings of the research can assist the company's management, investors, and other stakeholders in making informed decisions regarding the firm's financial position and investment opportunities.

STATEMENT OF THE PROBLEM

The company is facing problems with defective plastic parts created by injection molding, or more commonly, shrinkage, which was caused by uneven cooling channels in the mould itself. Due to uneven cooling distribution in the cooling channel, heat transmission from the components happens unevenly. The primary issue with this research is that aims to address is how to objectively decide the firm value of the Gagan tool tech company through recognising quantifying the essential factors affecting its performance and market position. by using regression analysis, we hope to supply a more correct and reliable method for valuing the company that can be used by stakeholders.

OBJECTIVE OF THE STUDY:

- 1.** To find out the essential elements of contribute to the firm value of Gagan tool tech company and to understand relationship between selected covariates and a response variable.
- 2.** To know the effects of selected factors on the firm worth of company.
- 3.** To study about the financial statement to decide the firm worth of a Gagan tool tech company.

II. REVIEW OF LITERATURE

1. Wilbur Chen and Suraj Srinivasa (2020) in their article “going digital: implications for firm value and performance” opined that we examine the consequences of the growing trend of non-technology firms implementing digital technologies on firm value and performance using a measurement based on the disclosure of digital words in the company description. The effects of their decisions on each department of their company, including human resources. They demand from their service providers better metrics and measurements as well as improved means of communicating results.

2. Rajat Panwar, Vivek Pandey, Roy Suddaby, and Natalia g. Vidal, (2022), in their article “did India’s CSR mandate enhance or diminish firm value?” Opined that although governments frequently impact CSR practises through legislative edicts, the literature primarily views CSR as a totally discretionary activity that firms pursue above and beyond legal limits. The common, American-centric, neoliberal understanding of CSR leads to this obvious split and typically ignores the myriad regulatory attempts that have made CSR practises partially regulated and partially self-regulated.

3. Hardiness m (2019), in their article “capital structure and firm size on firm value moderated by profitability” opined that this study aims to determine how firm value is impacted by profitability, capital structure, and the size of the business. In this study, non-participant observation and the path analysis technique are applied. The data analysis method employed is multiple linear regression, and SPSS 22 is the preferred data analysis tool. The analysis' conclusions show that firm size has a significant negative impact on a company's value, whereas capital structure has a significant positive impact.

4. Saurabh Chadha and anil k. Sharma (2017), in their article “capital structure and firm performance: empirical evidence from India” opined that the impact of financial leverage on the financial performance of the sample of 422 manufacturing companies in India. Tobin's q, ROA, and roe serve as an intermediary for figuring out a company's financial success measures. Size, age, tangibility, sales growth, asset turnover, and ownership structure are other independent variables that have a substantial impact on a company's financial success in the Indian manufacturing industry.

5. Neha smriti, Niladri das, (2018) in their article "the impact of intellectual capital on firm performance: a study of Indian firms listed in COSPI" opined that the effect of intellectual property (IP) on Indian enterprises listed on COSPI, the centre for monitoring Indian economy. Indian publicly traded corporations appear to be employing their IC sensibly and successfully. Human capital significantly impacted corporate productivity overall over the research period. The empirical analysis also showed that a key factor in the increase in the firm's sales and market value was the efficiency of both the capital employed and structural capital.

6. Rindu Rika Gamayuni, (2015) in her article “the effect of intangible asset, financial performance and financial policies on the firm value” opined that the relationships between intangible assets, financial policies, and financial performance, as well as how they affected the firm's value, were empirically examined at an Indonesian company that is going public. According to the findings, each of these elements simultaneously has a considerable impact on the firm's worth. Intangible assets don't have a big impact on financial regulations, but they have a big positive impact on firm value and financial performance (ROA).

7. Neha smriti, Niladri das, (2018) in their article "the impact of intellectual capital on firm performance: a study of Indian firms listed in COSPI" opined that the effect of intellectual property (IP) on Indian enterprises listed on COSPI, the centre for monitoring Indian economy. Indian publicly traded corporations appear to be employing their IC sensibly and successfully. Human capital significantly impacted corporate productivity overall over the research period. The empirical analysis also showed that a key factor in the increase in the firm's sales and market value was the efficiency of both the capital employed and structural capital.

8. Amitava Roy (2018), in his article “dividend policy, ownership structure and corporate governance: an empirical analysis of Indian firms” opined that we look for any possible connections between the ownership structure of the firm and its dividend policy as well as any possible impacts that the corporate governance (cg) practises used by the company may have on dividend policy.

Concentrated family ownership and family-run enterprises are common in India. We check to see if these companies have a significantly different dividend policy than non-family-run companies.

9. Najul Laskar (2019), in his article “does sustainability reporting enhance firms’ profitability? A study on selects companies from India and south Korea” opined that the profitability of Indian and south Korean businesses is examined in this essay in regard to corporate sustainability reporting.

10. A content analysis technique based on the global reporting initiatives reporting format is used to determine the disclosure score of sustainability performance.

11. Hima gupta(2016), in their article “integration of quality and innovation practices for global sustainability: an empirical study of Indian SMES” opined that this article's goal is to realistically assess, from the standpoint of sustainability, how quality and innovation practises affect organisational performance.

12. Additionally, the researcher wants to know how good and creative activities affect overall global sustainability. The impact of sustainability-focused practises on overall organisational performance was also examined using regression analysis.

III. DATA AND METHODOLOGY

3.1 TYPE OF RESEARCH: Research design is Empirical analysis. the method of performing empirically-based research or analysis, which entails gathering and analysing data in order to make inferences or test hypotheses. It is a methodical strategy for researching actual occurrences utilising facts that can be seen and measured.

3.2 SAMPLE SIZE: 5 years from 2018 to 2022 in a Balance Sheet data and Profit and Loss statement data of Gagan tool tech

3.3 DATA COLLECTION METHOD: secondary Data on financial performance. I used regression analysis, covariance, and descriptive statistics techniques to analyse the balance sheet and profit and loss account data provided by Gagan Tool Tech.

3.4 HYPOTHESIS TESTING

H₀₁: There is no correlation of coefficient between preselected covariates and a response variable.

H_{a1}: There is correlation of coefficient between preselected covariates and a response variable.

3.5 LIMITATIONS

- The study is limited to selected company only.
- The Study is done only for 8 weeks.
- Only five years data has been collected for this study.
- This study is done to complete the requirement of MBA.

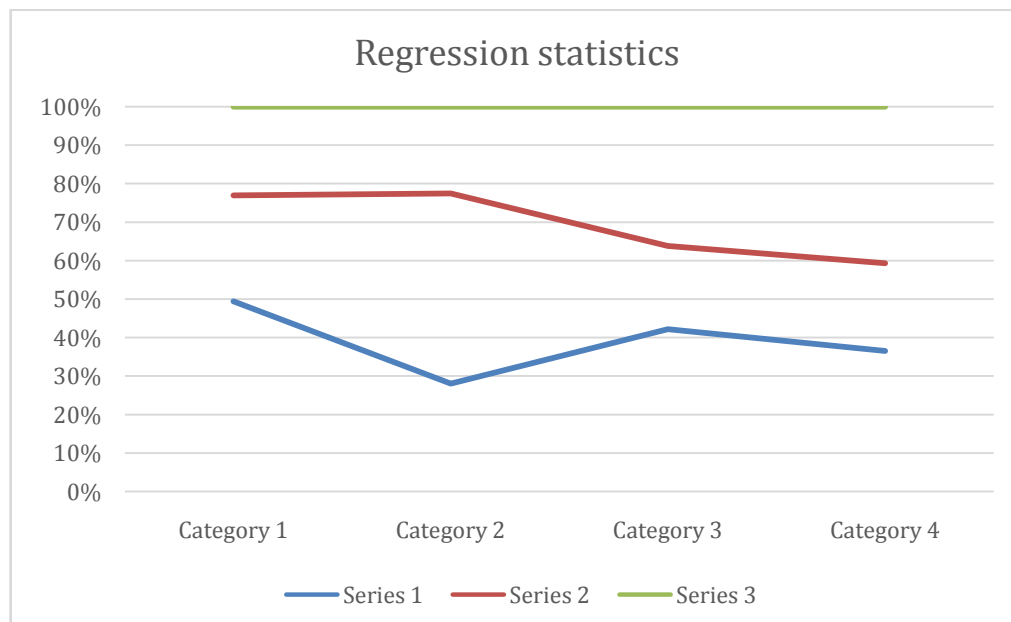
IV. DATA ANALYSIS AND FINDINGS

Table No – 4.1 showing summary output of regression analysis on the variables of financial statement:

| Regression Analysis | | | | | |
|---------------------|--------------|----------------|------------|------------|----------------|
| Multiple R | 0.77444484 | | | | |
| R Square | 0.5997648 | | | | |
| Adjusted R square | 0.46635307 | | | | |
| Standard Error | 2829.18466 | | | | |
| Observations | 5 | | | | |
| ANOVA | | | | | |
| | df | SS | MS | F | Significance F |
| Regression | 1 | 35984008.47 | 35984008.5 | 4.49559265 | 0.12414935 |
| Residual | 3 | 24012857.46 | 8004285.82 | | |
| Total | 4 | 59996865.94 | | | |
| | | | | | |
| | Coefficients | Standard error | t-stat | P-value | |
| Intercept | 116617.023 | 5795.155208 | 20.1231923 | 0.00026825 | |
| X Variable 1 | 5.49680806 | 2.592490038 | 2.12028127 | 0.12414935 | |

Interpretation: The table above shows that the R square value is 0.599 that is 59.9% proving that the production 59.9% of variation in inventory. This implies productivity is affecting inventory to an extent of 59.9% and staying 40.1% is explained by other variables. The table at top shows that calculated significance F value has a >0.05 hence accepting H0 and rejecting H1 which says that there is nothing important effect of financial firm value.

Graph No – 4.1 showing the Graphical representation of regression analysis on the variables of financial statement:



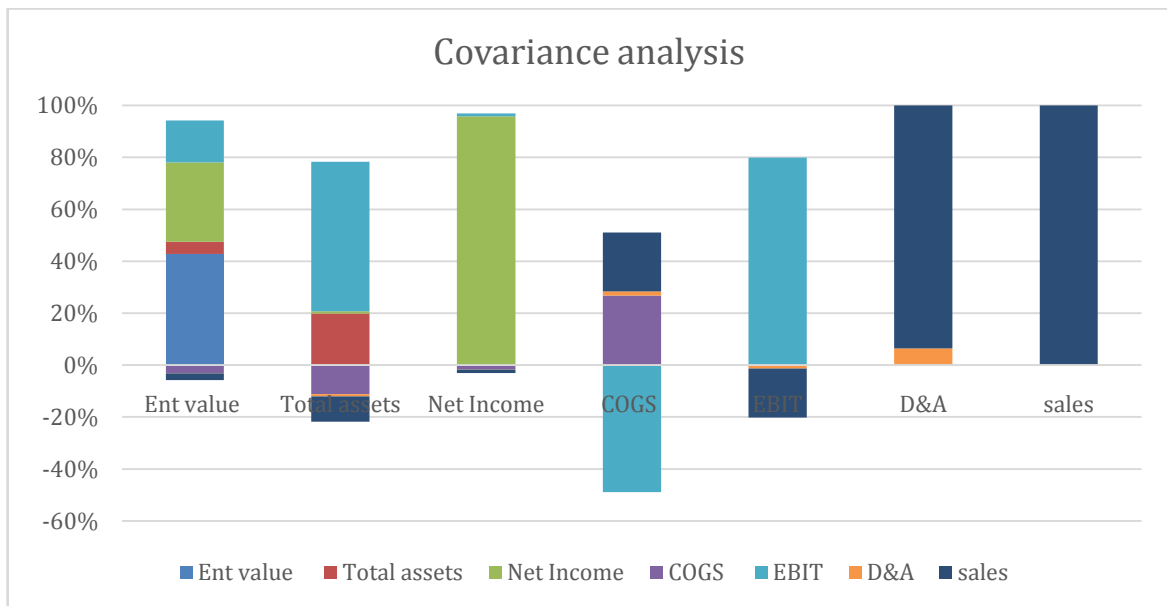
Interpretation: In the above graph represents the regression analysis on the variables of financial statement. The multiple r value is 0.774 which is 77.4%, the r square value is 0.599 which is 59.9% and the adjusted r squares in positive that is 46.6%. The overall statistical significance of the regression model is not indicated by the regression analysis, indicating that there may not be a strong correlation between the independent variable(s) and the dependent variable.

Table No – 4.2 showing summary output of on the Covariance analysis of financial statement:

| | Ent value | Total assets | Net Income | COGS | EBIT | D&A | sales |
|--------------|-----------|--------------|------------|---------|--------|--------|-------|
| Ent value | 119373 | | | | | | |
| Total assets | 13069.2 | 2387.2 | | | | | |
| Net Income | 85458.5 | 116.81 | 4.4908 | | | | |
| COGS | -8403.1 | -1343.7 | -74626 | 34242 | | | |
| EBIT | 45116.4 | 6903.3 | 57598 | -6352.5 | 23562 | | |
| D&A | -597.66 | -915.97 | -4840 | 194.11 | -401.6 | 114.19 | |
| sales | -7392.5 | -1171.1 | -63076 | 2913.7 | -5440 | 162.1 | 267.9 |

Interpretation: The covariance measures the linear relationship between variables' direction and strength but does not convey its size or causality. To make significant conclusions about the correlations between these variables, more investigation and information are needed.

Graph No – 4.2 showing the Graphical representation of on the Covariance analysis of financial statement:



Interpretation: Given that these interpretations lack more context and are simply depending on the financial information supplied must be noted. Industry benchmarks, prior performance, and other pertinent elements to be considered in the interest of have a more complete picture of the company's financial status and firm value.

Table No – 4.3 showing summary output of on the Descriptive analysis of financial statement:

| SL.NO | Variables | mean | Standard Error | Median | Mode | Standard Deviation | Sample Variance |
|-------|--------------|----------|----------------|----------|------|--------------------|-----------------|
| 1 | Total Assets | 2181.435 | 244.0221 | 2062.598 | 0 | 545.6501 | 297734 |
| 2 | Net Income | 24530.89 | 10592.01 | 29651.86 | 0 | 23684.46 | 53559.5 |
| 3 | COGS | 5174.264 | 295.0601 | 5262.47 | 0 | 659.7745 | 435302.4 |
| 4 | EBIT | 1367.914 | 761.5055 | 638.69 | 0 | 1702.778 | 2899453 |
| 5 | D&A | 174.754 | 16.9425 | 183.92 | 0 | 37.88458 | 1435.242 |
| 6 | Sales | 5899.55 | 249.4834 | 5980.96 | 0 | 557.8619 | 311209.9 |

Interpretation: A standard deviation of 545.6501 separates the mean total assets from the median, which is roughly 2,181.435. There are values in the range of 0 and higher values. A standard deviation of 23,684.46 and an average net income of roughly 24,530.89 are calculated. There are values in the range of 0 and higher values. With a standard deviation of 659.7745 and an average cost of goods sold of roughly 5,174.264. There are values in the range of 0 and higher values. A standard deviation of 1,702.778 and an estimated average EBIT of about 1,367.914 are present. There are values in the range of 0 and higher values. A standard deviation of 37.88458 and an average depreciation and amortisation value of roughly 174.754 are reported.

V. CONCLUSION

A measure of Gagan Tool Tech Company can be found by analysing their financial accounts. The financial health, profitability, stability, and cash flow production of the company are critical factors in figuring out its worth. The company's prospects may be evaluated fairly and investors, prospective buyers, and other stakeholders can make well-informed judgements. Accounting records are merely one type of documentation. part in deciding a company's value, it is crucial to remember that. In addition, it is important to consider other elements like managerial calibre, market conditions, competitive environment, and industry trends.

The study's conclusion emphasises the importance a set of accounting records in estimating Gagan Tool Tech Company's value in Bengaluru. Stakeholders can decide on investments, acquisitions, and general business strategy after completing a thorough analysis of company's financial performance and considering added relevant aspects.

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