



A Study Financial Statement Analysis at JBM Auto System (P) Ltd, Chennai

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ABSTRACT

Cost and cost control is one of the important steps in every industry because cost is a communication tool in every organization how the industry moving in market that is decided by cost of industry. There is various type of cost accrue in the industry but each cost impact the financially as well as non-financially. The researcher conducted based on cost and cost control at creative manufactures in Chennai one of the most efficient. For the study use cost accounting and cost budgeting from the period of 2020-21 to 2024-25. Use the statistical tool like trend analysis financial tool like cost sheet and budgeting tool etc. By this study analysed that industry need to focus on earn more profit by way of cost control techniques by way of preparing budget timely and statistically.

Keywords: cost and cost control, cost sheet, sale budget, expenses budget

I. INTRODUCTION OF THE STUDY

The automobile industry is one of the most significant contributors to global economic growth, employment generation, and technological advancement. Major automobile manufacturing nations such as Germany, Japan, United States, China, and India play a vital role in global automotive production and exports. The industry includes manufacturers of passenger vehicles, commercial vehicles, electric vehicles, and auto components. It is highly capital-intensive and requires substantial investment in technology, research and development, supply chain management, and skilled labor.

Due to increasing competition, changing consumer preferences, technological disruptions, and regulatory requirements, automobile companies must maintain strict cost control mechanisms to sustain profitability and operational efficiency. Financial efficiency has become a crucial determinant of long-term sustainability in this dynamic industry.

Concept of Cost Control in the Automobile Industry

Cost control refers to the process of monitoring, analyzing, and reducing business expenses to increase profitability without compromising quality. In the automobile industry, cost control is complex because of large-scale production, fluctuating raw material prices (such as steel, aluminum, and semiconductors), and high logistics costs.

Financial Efficiency and Its Importance

Financial efficiency refers to the ability of a firm to utilize its financial resources effectively to generate maximum output and profitability. It is measured using financial ratios such as return on assets (ROA), return on equity (ROE), operating profit margin, inventory turnover ratio, and asset turnover ratio.

Relationship Between Cost Control and Financial Efficiency

Cost control and financial efficiency are closely interconnected. Effective cost control reduces operational expenses, improves profit margins, and enhances return on investment. Conversely, inefficient cost management may lead to higher production costs, reduced profitability, and poor financial performance.

II. STATEMENT OF THE PROBLEM

The automobile industry operates in a highly competitive and capital-intensive environment where effective cost control and financial efficiency are critical for survival and growth. Rising raw material costs, technological advancements, global competition, and regulatory pressures have increased financial burdens on automobile companies. Inefficient cost management may lead to reduced profit margins and poor resource utilization. At the same time, improper financial planning can result in liquidity problems and increased debt levels. Despite adopting modern cost management techniques, many firms struggle to



maintain consistent financial efficiency. There is a need to evaluate how effectively automobile companies manage their costs and financial resources. Understanding the relationship between cost control practices and financial performance is essential. Hence, this study attempts to analyze cost control mechanisms and financial efficiency in the automobile industry.

OBJECTIVES OF THE STUDY

- To examine the cost control techniques adopted in the automobile industry.
- To analyze the financial efficiency of automobile companies using financial indicators.
- To evaluate the relationship between cost control measures and profitability.
- To identify factors affecting financial performance in the automobile sector.
- To suggest measures to improve cost management and financial efficiency.

SCOPE OF THE STUDY

The study focuses on analyzing cost control practices and financial efficiency in the automobile industry. It covers financial performance indicators such as profitability, liquidity, and operational efficiency ratios. The research examines cost management techniques adopted by automobile companies to enhance competitiveness. It is limited to selected firms and a specific period of analysis. The study emphasizes financial data and managerial practices related to cost control. The findings may help automobile companies improve their financial sustainability and operational performance.

LIMITATIONS OF THE STUDY

- The study is limited to selected automobile companies and may not represent the entire industry.
- The analysis is based on secondary financial data, which may have inherent limitations.
- The study covers only a specific time period.
- External factors such as economic conditions and government policies are not deeply analyzed.
- Time and resource constraints may restrict detailed comparative analysis.

III. REVIEW OF LITERATURE

Dan et al (2023) explained, the effects of advertisement and interpersonal communication on

profit. That study found different effect on profitability on the basis of different stages of product life cycle. At the initial stage advertising costs was very high and as the product moves towards maturity firm gradually reduce its advertising expenses. He outlined financial ratios such as Gross Profit Margin, Operating Profit Margin and Net Profit Margin as the main indicators of profitability.

Abdullahi (2024) describes cost volume profit analysis as an estimate of how changes in costs (Both variable and Fixed) sales volume, and price effect the company's profit. According to him, cost-volume profit analysis is cost plans relating to a single cost unit. Because cost-volume profit analysis purports to be what cost should be, any deviation represents a measure of performance. The predetermined costs are known as cost-volume-profit analysis and the difference between the cost-volume-profit analysis and actual costs are known as a variance

Kim (2024) developed a micro approach to find breakeven points and target profit. This study attempted to develop a systematic approach to refine the answers of two basic issues in the Cost reduction analysis: break-even point and target profit. He suggest that an analysis of production targets and budgets can be used as a management tool in making decisions. In government work units, the budget is the highest expenditure limit. Thus, based on standard input costs in performance-based budgeting, analysis of the amount of output and amount of costs can be required. Stated that the Cost reduction analysis was a tool to assess the impact of changes in value, volume, variable costs or fixed costs on benefits.

Verdon et al (2025) while studying the relationship between advertising and aggregate demand found that advertising has a positive relation with aggregate demand. At the global world, many valuable studies are available on industry and related sectors on various aspects. But such studies are not many in Bangladesh especially in the aspect of selling and distribution cost or marketing costs & promotional cost and their impact on sales revenue and profit. In such a context a brief review on some selected studies are made below with reference to aspects of selling and distribution cost or marketing costs & promotional costs.

IV. RESEARCH METHODOLOGY

The evaluation of the study is based on the secondary data collected from the annual reports, journal and magazine. The analysis drawn and recommendations made are based of the facts,



graphs and diagrams which are given to represent statistical data of the study.

MEANING OF RESEARCH

The advanced learner's dictionary of current English lays down meaning of research as "A careful investigation or inquiry especially through search for new facts in any branch of knowledge". Redman and Mory define Research as "systematized Effort to gain New Knowledge".

POPULATION

The aggregate elementary units in the survey are referred to as the population. Here it covers the entire 550 employees of JBM Auto System (P) Ltd, Chennai".

SAMPLING UNIT:

Sampling unit is in JBM Auto System (P) Ltd, Chennai".

PERIOD OF THE STUDY

The sources of data are from the annual reports of the company from the year 2020-21 to 2024-25

SOURCES OF DATA

Secondary Data

The secondary data were collected from different sources. In the current context the secondary data was collected through published

books, government documents, journals, magazines, newspapers, and related web sites.

TOOLS USED FOR ANALYSIS OF DATA

The following analytical tools are used;

- Ratio analysis
- Comparative balance sheet
- Trend analysis

V. DATA ANALYSIS AND INTERPRETATION

TREND ANALYSIS

Trend analysis refers to the analysis of the performance and financial position of a particular company. The analyst endeavours to understand the trend in performance and financial position of the company.

Trend analysis is the first step in forecasting the future performance and financial position of the company. Forecasting is not simple extrapolation of the past performance. It requires understanding the company's ability to respond to changes in the business environment and its strength and weaknesses in the context of possible changes in the environment. It also requires an evaluation of the robustness of the business model of the company.

Formula: $Y_c = a + bx$

Trend analysis: $a = \sum y / N, b = \sum xy / \sum X^2$

STATEMENT OF TREND ANALYSIS IN SHARE CAPITAL

Year	Share Capital Rs (y)	X (t-2016)	X ²	XY
2020-21	1726.60	-1	1	-1726.60
2021-22	1895.56	-2	4	-3791.12
2022-23	2047.60	0	0	0
2023-24	2341.43	1	1	2341.43
2024-25	2739.82	2	4	5479.64
	ΣY=10751.01	ΣX=0	ΣX²=10	ΣXY=2303.35

Equation of straight line $y_c = a + bx$

$a = \sum Y / N = 10751.01 / 5 = 2150.20$

$b = \sum xy / \sum x^2 = 2303.35 / 10 = 230.33$

Trend values:

Year	X	$Y_c = a + bx$	Trend Values
2020-21	-1	$2150.20 + 230.33 X -1$	1919.87



2021-22	-2	$2150.20 + 230.33 \times -2$	1689.54
2022-23	0	$2150.20 + 230.33 \times 0$	2150.20
2023-24	1	$2150.20 + 230.33 \times 1$	2380.53
2024-25	2	$2150.20 + 230.33 \times 2$	2610.86

INTERPRETATION

The above table clearly explained that the trend value regarding share capital was decreased from 1919.87 to 1689.54 in the year 2020-21 to 2021-22. It was increased during the year 2022-23 the value of share capital as 2150.20. It was increased to 2380.53 in the year 2023-24. It was raised to 2610.86 in the year 2024-25.

VI. SUGGESTIONS

- It can be recommended to the sampled units to use some innovative and effective techniques like activity-based costing, Process Company costing and work study.
- This is important because the earlier used techniques used by sampled units, such as standard costing, budgetary control, marginal costing, value engineering and quality control, were unable to reduce cost related to factory overhead and selling and distribution overheads
- Planning has become the primary function of management most of the planning relates to individual and individual proposals.
- Costs are nothing but his expressions, largely in financial terms, cost control has, therefore become and essential tool of management for controlling and maximizing profits.

VII. CONCLUSION

Cost control and cost reduction strategies were found to be two effective cost management tools for increasing efficiency in organisations. Thus, both strategies are critical to organisational success and accomplish distinct goals. Regardless of its contributions, this research is subjected to its limitations that need to be addressed. This qualitative study involved several company which to address the research objectives focusing more on exploratory studies. Hence, the findings are not conclusive in representing the population of

company in Chennai Perhaps, future research should utilise alternative research methods to generate more robust findings.

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