



## Impact of Cost Control and Cost Reduction Towards Profitability With Special Reference To Shiranjeeve Enterprise, Coimbatore

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Date of Submission: 23-05-2024

Date of Acceptance: 05-06-2024

**ABSTRACT:** Profitability Analysis is key to organizations' ability to understand what they should focus on in the future. There are many different ways to analyse profitability, from backward looking trend analyses to predictive modelling of the future. There are also many ways theories about how profitability should be analyzed. Profitability costing is the concept of assigning all costs incurred by a company to the various products or relationships the organization maintains in an effort to determine which products or relationships are the most profitable. There are many types of software that allow a company to help create a Profitability Costing model. Mind Stream Analytics is well versed in Profitability Costing and can help your company figure out what can best help your company create a Profitability Costing module.

**Key words:** Gross Profit, Profitability, Return on Investment, Operating Profit.

### I. INTRODUCTION

In the pursuit of sustainable growth and competitive advantage, businesses are constantly challenged to optimize their financial performance. At the heart of this Endeavor lie strategic cost management practices, particularly cost control and cost reduction strategies. This research endeavours to investigate the multifaceted implications of these practices on organizational profitability. By examining theoretical frameworks, empirical evidence, and real-world case studies, this study aims to shed light on how effective cost control and reduction initiatives can significantly influence a company's bottom line. Through this exploration, we seek to offer valuable insights into the strategic imperative of cost management in driving profitability and long-term success in today's dynamic business environment. The profitability ratios of the company, such as return on capital

employed (ROCE), net profit margin (NPM), earnings per share (EPS), etc., represents the financial strength of the business in monetary terms. Financial performance measurements are essential to the operation of economic units since without them, no decisions can be taken. Since the return on capital employed (ROCE) indicates the proportion of a company's net operating profit to its capital employed, financial performance is one of the crucial performance indicators for economic units. By expressing an organization's operating profit as a proportion of its capital employed, it can demonstrate its profitability. To succeed and improve their financial performance, businesses must have a solid human resource strategy and maintain a competitive edge. Any corporate organization's major goal is to increase its capacity for growth by generating income and reducing costs. Majority of business owners think that growing sales is the best strategy for turning a profit, but this creates a new issue. The manufacturing sector currently faces a number of issues that require urgent attention. The majority of imported goods, which are less expensive than those made in, have posed a significant threat to the country's ability to sell goods. The study confirmed that manufacturing firms have witnessed unexpectedly high operating costs with the attendant reduction in profitability as a result of high operating costs associated with the maintenance and administration of a day to day business activity. He submitted that quite a several manufacturing companies in have ceased to operate, whereas the bigger companies have acquired many other companies and at best, merged with other bigger companies. Some have relocated their operational base to neighbouring countries



## II. OBJECTIVES OF THE STUDY

- Determine the relationship between effective cost reduction measures and performance
- Ascertain the impact of accounting systems followed by the company on cost control
- Investigate whether cost control and reduction can be used as competitive strategy for survival and profit making.
- Ascertain the effect of cost adjustment on profitability of the company.

## III. LIMITATIONS OF THE STUDY

In the process of carrying out this research work, the most nagging problem faced by the researcher was to obtain reference materials. The time to carry out the research was short and insufficient, since it is done alongside with some other courses to contend with so as to present a good result. There are also difficulties associated with personnel's accepting to give vital information which will be of help to the researcher.

## IV. STATEMENT OF THE PROBLEM

The aim of any organization is to make profit and most business owners believe that the best way to make profit is to increase sales and this brings up another conundrum. In order to increase sales, there must be a corresponding increase in cost because of the increased amount of work involved. These increased costs are what need to be curtailed.

Also, the exorbitant cost of running business has necessitated the need to focus on cost control and cost reduction as a means of achieving both the primary and secondary objectives of being in business, which include maximization of profit and shareholder value. Until, many companies do not see cost management as a serious issue. The inability to control or reduce cost incurred and advert effect on profitability, which has forced the firms to relocate their businesses to the neighbouring countries, where they assume cost of running business will be relatively cheaper compared to what is happening in present location.

## V. REVIEW OF LITERATURE

**Egbunike and Adeniyi (2017)** stated that there are two major fundamental financial management tools which include budgets and variance analyses. Nevertheless, the reports of variance are not necessarily useful for a manager. When performing variance analyses, the main difficulty is that there is

need for cost to be known as either as variable or fixed cost. Practically, large numbers of costs do not perform in this manner. It leads to constraints on reports and inadequate management behavior. The author opined that financial managers must develop models that will reflect the way cost actually perform, and reporting the difference through improved cost models. When a system is based on an inadequate model, this can be used or discarded. But when it is used, it leads to inadequate decisions by the management.

**Akayisenga and Mulyungi (2018)** opined key emphasis on management by objective as a modern and effective method of cost control. It would be used in a positive and constructive way to provide a cost system related to cost performance evaluation and cost progression analysis. Thus, all forms of cost control method must be designed and implemented in such a way as to complement the behavior of people in an organization. Only then will cost control system to improve performance and lead to organization effectiveness.

**Dury (2018)** defines control as the means of ascertaining that the activity of an organization follows the standard plan and that its goal is accomplished. He discussed that cost control system consists of ways and methods that are used to control the operating cost of a job and ensure that cost does not go beyond a certain amount

**Sikka (2018)** The process of regulating the cost of operating a business is known as cost control and is involved within acceptable limits. These limits are usually stated as standard cost or target cost limits in a formal operation plan or budget. Cost control is the process of avoiding wasteful use of valuable resources and encouraging efficiency and cost consciousness.

**Lockey (2018)** Stated that, having price competitive advantage, the company can increase its market share and become a market leader. Cost control and



reduction are techniques used in making other means of competition feasible. The importance of cost reduction scheme within a company cannot be overstated especially when a company is struggling to maintain profitability. Organizations that forfeit money are required to intensify profits or become more involving need to reduce expenses in order to succeed. Frequent re-examination of costs can assist an organization to curb excessiveness and thereby eliminating costs.

**Staikouras (2019)** Supported that statistical process control is an efficient way in cost control and cost reduction techniques. He said that, defining the process from the point of view of the financial manager is the first step in SPC. More so, over time, the characteristics of the process are measured and observed. Control charting is the process of studying

the difference from the mean. This identifies correctly if the process has come up against any special difference that needs better attention. With the use of SPC, firms are able to significantly improve organizational effectiveness, product quality, and process efficiency

**Athanasoglou, Denis (2019)** Instead, these firms tend to gain larger market shares. The scaling approach emphasizes economies of scale rather than differences in management or production technology. Larger firms can obtain lower unit costs and higher profits through economies of scale. This enables large firms to acquire market share, which may manifest in higher concentration and then profitability.

## VI. RESEARCH METHODOLOGY

### PERIOD OF THE STUDY

The data were collected for Five financial years from 2018-2023(Shiranjeeve enterprises)

### RESEARCH DESIGN

Research design is the framework of research methods and techniques chosen by a researcher to conduct a study. The research design of the present study is analytical and conclusive.

### SOURCES OF DATA

Only the secondary data has been used in the study. The researcher himself being an external one and doing study as a part of curriculum has had to depend mainly upon secondary data for the different aspects.

### SAMPLING UNIT:

Sampling unit is in Shiranjeeve enterprises at Coimbatore.

### WORK OF ANALYSIS

To arrive at research findings and the conclusion of the present study, ratio analysis, comparative balance sheet analysis and Trend analysis have been used.

### TOOLS USED FOR ANALYSIS OF DATA

The following analytical tools are used;

- Ratio Analysis
- Trend Analysis
- Break-even point
- Comparative Balance Sheet

### RATIO ANALYSIS

The turnover ratios or activity ratios indicate the efficiency with which the capital employed is rotated in the business. The overall profitability of the business depends on two factors: (i) the rate of return of capital employed; and (ii) the turnover, i.e., the speed at which the capital employed in the business rotates.

#### 3.6.2 TREND ANALYSIS

The 'trend' signifies a tendency and as such the review and appraisal of tendency in accounting variables are nothing but the trend analysis. Trend analysis is carried out by calculating trend ratio. Trend analysis is significant for forecasting and budgeting. Trend analysis discloses the change in financial and the operating data between specific periods.

#### 3.6.3 BREAK-EVEN POINT

To calculate the break-even point in units, use the formula:

Break-Even point (units)= Fixed cost/ (Sales price per unit – Variable costs per unit)

Or in sales dollars using the formula

Break-even point(units)=Fixed Costs/ Contribution Margin



## DATA ANALYSIS AND INTERPRETATION

### ANALYSIS OF DATA

The analysis of data requires a number of closely related operations such as establishment of categories, the application of these categories to raw data through coding, tabulation and then drawing inferences. The unwieldy data should necessarily condense into a manageable groups and tables for further analysis.

Thus, researcher should classify the raw data into some purposeful and usable categories. Analysis work after tabulation is generally based on the computation of various percentages, coefficients, etc., by applying various well-defined statistical formulae.

### INTERPRETATION OF DATA

The real value of research lies in its ability to arrive at certain generalizations. If the researcher had no hypothesis to start with, he might seek to explain his findings on the basis of some theory. It is known as interpretation. The process of interpretation may quite often trigger off new questions which in turn may lead further researches.

### RATIO ANALYSIS

#### TURNOVER RATIOS

The turnover ratios or activity ratios indicate the efficiency with which the capital employed is rotated in the business. The overall profitability of the business depends on two factors: (i) the rate of return of capital employed; and (ii) the turnover, i.e., the speed at which the capital employed in the business rotates.

#### WORKING CAPITAL TURNOVER RATIO

Working capital of a concern is directly related to sales (i.e.) the current assets like debtors, bills receivables, cash, stock etc., and change with the increase (or) decrease in sales.

Working capital = Current Assets - Current liabilities

This excess of current assets over current liabilities is referred to as net working capital. Working capital turnover ratio indicated the velocity of the utilization of net working capital. This ratio indicated the number of times the working capital is turned over in the course of a year. A higher ratio indicates efficient utilization of working capital and a low ratio indicated otherwise.

#### TABLE: WORKING CAPITAL TURNOVER RATIO

Year	Sales (In lakhs)	Networking capital (In lakhs)	Ratio (Rs in Cr)
2018-19	322.71	153.30	2.11
2019-20	272.93	161.71	1.69
2020-21	225.54	104.60	2.16
2021-22	170.24	123.06	1.38
2022-23	127.33	84.18	1.51

Sources: Balance sheet

#### INTERPRETATION:

The above table shows that the working capital turnover ratio is 2.11 in 2018-19 and decreased to 1.69 in 2019-20 and then increased to 2.16 in 2020-21 then last year decreased to 1.51. This shows working capital turnover ratio is fluctuating and decreasing. Fluctuation is high during pandemic period, this might be due to reduced sales.

#### INVENTORY TURNOVER RATIO

Inventory turnover ratio implicates the number of times the stock has been turned over during the period and evaluates the efficiency with which a firm is able to manage its inventory

#### TABLE: INVENTORY TURNOVER RATIO

Year	Cost of goods sold (In lakhs)	Average stock (In lakhs)	Ratio (Rs in Cr)
2018-19	322.71	72.76	4.44
2019-20	272.93	69.73	3.91
2020-21	225.54	50.86	4.43
2021-22	170.24	25.33	6.72
2022-23	127.33	12.63	10.08

Sources: Balance sheet

#### INTERPRETATION:

The above table shows that the inventory turnover ratio from 2018-23. The ratio shows increasing trend during the study period. The ratio shows highest as 10.08 at 2022-23 and shows lowest as 3.91 at 2019-20. The ratio indicates, in the year 2020-21 the company performed better in inventory than the year 2019-20. The reason for this is due to extension of factory premises in post covid.

#### DEBTORS TURNOVER RATIO

The liquidity position of a concern to pay its short-term obligations in time depends upon the quality of its debtors. Debtors turn ratio indicates the velocity of debtor's collection firm (i.e.) it



indicates the number of times average debtors are turned over during a year.

TABLE: DEBTORS TURNOVER RATIO

Year	Sales (In lakhs)	Average Debtors (In lakhs)	Ratio (Rs in Cr)
2018-19	322.71	51.68	6.24
2019-20	272.93	45.59	5.99
2020-21	225.54	31.21	7.23
2021-22	170.24	18.51	9.20
2022-23	127.33	11.27	11.30

Sources: Balance sheet

INTERPRETATION:

The above table shows that the Debtors turnover ratio lays within its Higher limit. The ratio shows lowest as 5.99 at 2019-20 and shows highest as 11.30 at 2022-23 and there is no standard norm for Debtors turnover ratio. Debtor's turnover ratio is in increasing trend. It implies that the company's debts are efficient and the financial position is good.

GROSS PROFIT RATIO

The gross profit ratio is also known as gross margin ratio, trading margin ratio etc., it is expressed as a "percent ratio". The different between net sales and cost of goods sold is known as gross profit.

TABLE: GROSS PROFIT RATIO

Year	Gross Profit / Loss (In lakhs)	Net Sales (In lathes)	Ratio (Rs in Cr)
2018-19	1.05	322.71	0.32
2019-20	-17.55	272.93	-6.43
2020-21	-43.74	225.54	-19.39
2021-22	-17.84	170.24	-10.48
2022-23	-9.16	127.32	-7.19

Sources: Balance sheet

INTERPRETATION:

The above table shows that the gross profit ratio. This ratio is an indicator of the firm's ability to meet its current obligations. The lowest ratio (-6.43) was obtained during the period 2019-20 and the highest ratio (0.32) value obtained during the period 2018-19. The gross profit ratio is Decreasing trend. Due to firm's obligations gross profit ratio is decreasing trend. Inefficient production process, it may acquire poor pricing, a

fall in sales price, high production costs, would remain for the same

NET PROFIT RATIO

It establishes a relationship between net profit (after tax) and sales. It is determined by dividing the net income after tax to the sales for the period and measures the profit per rupee of sales.

TABLE: NET PROFIT RATIO

Year	Net Profit/loss (in lakhs)	Net Sales (In lakhs)	Ratio % (Rs in Cr)
2018-19	-1.66	322.71	-0.51
2019-20	-13.34	272.93	-4.89
2020-21	-33.58	225.54	-14.89
2021-22	-14.23	170.24	-8.36
2022-23	-11.14	127.32	-8.75

Sources: Balance sheet

INTERPRETATION:

The above table shows that the Net profit ratio from 2018-23. The ratio shows that (-0.51) at 2018-19 and increased to (-4.89) at 2019-20 and then it was increased to -14.89 in 2020-21 and then Decrease to -8.75 in 2022-23. So, the Net profit ratio is fluctuated trend. Because production costs are more than total revenue for the particular period, which fluctuate trends because of external factors and unexpected expenses

CURRENT RATIO

Current ratio is the most common ratio for measuring liquidity. The current ratio is the ratio of total current assets to total current liabilities. Current ratio of affirm measures its term solvency i.e. ability to meet short term obligations. Current assets mean assets that will either be used up or converted into cash within a year's time or during the normal operating cycle of the business, whichever is longer.

TABLE: CURRENT RATIO

Year	Current Assets (In lakhs)	Current liabilities (In lakhs)	Ratio (Rs in Cr)
2018-19	222.33	69.03	3.22
2019-20	228.32	66.61	3.43
2020-21	183.45	78.85	2.33
2021-22	189.97	66.91	2.84
2022-	144.37	60.19	2.40



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Sources: Balance sheet

**INTERPRETATION:**

The above table shows that the current ratio is an indicator of the firm's ability to meet its current obligations. The lowest ratio (2.33) was obtained during the period 2020-21 and the highest ratio (3.43) value obtained during the period 2019-20. The current asset ratio is above than the decreasing level. Therefore, the current ratio is considered not satisfactory.

**LIQUIDITY RATIO**

Quick ratio also known as acid test or liquid ration established a relationship between quick (or) liquid assets and liquid liabilities. An asset is said to be liquid if it can be converted into cash within a short period without loss of value. The other liquid assets are bills receivables, such debtors, Cash and bank balance marketable securities and temporary investment. The liquid liabilities is outstanding, Tax, Dividend.

**TABLE: LIQUIDITY RATIO**

Year	Liquid Assets (In lakhs)	Liquid liabilities (In lakhs)	Ratio (Rs in Cr)
2018-19	151.64	69.03	2.20
2019-20	159.54	66.61	2.39
2020-21	150.5	78.85	1.91
2021-22	172.26	66.91	2.57
2022-23	136.82	60.19	2.27

Sources: Balance sheet

**INTERPRETATION:**

The above table and chart show that quick ratio from 2018-23. The quick ratio shows fluctuating trend throughout the study period. Even though it had decreased the quick ratios not satisfy the standard norm. The ratio shows highest as 2.57 at 2021-22 and shows lowest as 1.91 at 2020-21.

**CURRENT ASSET TURNOVER RATIO**

The ratio between sales and the current assets is call current assets turnover ratio.

**TABLE: CURRENT ASSET TURNOVER RATIO**

Year	Sales (In lakhs)	Current asset (In lakhs)	Ratio (Rs in Cr)
2018-19	322.71	222.33	1.45
2019-20	272.93	228.32	1.19
2020-21	225.54	183.45	1.23

2021-22	170.24	189.97	0.89
2022-23	127.33	144.37	0.88

Sources: Balance sheet

**INTERPRETATION:**

The above table shows that there is a Decreasing in current assets turnover ratio throughout the study period range between 1.45, 1.19, 1.23, 0.89 and 0.88, even though the fund contributed in the current asset's turnover shows a decreasing trend. It indicates the firms to increase the need of sources of finance in particular period.

**OPERATING PROFIT RATIO**

It is ratio of profit made form operating sources to the sales, usually shown as a percentage. It shows the operational efficiency of the firm and is a measure of the management's efficiency in running the routine operations of the firm.

**TABLE: OPERATING PROFIT RATIO**

Year	Operating profit (In lakhs)	Net sales (In lakhs)	Ratio (Rs in Cr)
2018-19	29.21	322.71	9.05
2019-20	2.34	272.93	0.86
2020-21	-9.59	225.54	-4.25
2021-22	4.35	170.24	2.55
2022-23	6.27	127.33	4.92

Sources: Balance sheet

**INTERPRATATION**

From the above table it is obvious that the operating profit ratio shows and Decreasing tread in the financial year 2018-19 and 2022-23 are 9.05 to 4.92 whereas in the last financial years 2022-23 the operating profit ratio is 4.92. It implies the company is effectively cutting back on its expenses while creating more sales on particular period.

**FIXED ASSETS TURNOVER RATIO**

This ratio determines efficiency of utilization of fixed assets and profitability of a business concern. Higher the ratio more is the efficiency in utilization of fixed assets. A lower ratio is the indication of underutilization of fixed assets.



TABLE: FIXED ASSET TURNOVER RATIO

Year	Sales (In lakhs)	Average fixed asset (In lakhs)	Ratio (Rs in Cr)
2018-19	322.71	101.84	3.17
2019-20	272.93	71.08	3.84
2020-21	225.54	48.53	4.65
2021-22	170.24	39.82	4.27
2022-23	127.33	29.92	4.25

Sources: Balance sheet  
INTERPRATATION

From the above table informed that in the financial years the fixed asset turnover ratio is 2018-19 is 3.17 and the next year ratio is increased to 3.84 The next year of 2020-21 is 4.65 and the last two year was to 4.27 and 4.25. So, the Fixed asset turnover ratio is fluctuating and decreasing trend. Because the company is not using its assets efficiently.

#### STOCK TO WORKING CAPITAL RATIO

The stock to working capital ratio measures how well the company is able to generate cash using working capital at its current inventory level.

TABLE: STOCK TO WORKING CAPITAL RATIO

Year	Stock (In lakhs)	W.C (In lakhs)	Ratio (Rs in Cr)
2018-19	70.69	153.30	0.46
2019-20	68.78	161.71	0.43
2020-21	32.95	104.60	0.31
2021-22	17.71	123.06	0.14
2022-23	7.55	84.18	0.09

Sources: Balance sheet  
INTERPRETATION:

From the above table it was clear the stock to working capital ratio for the year 2018-19 the ratio was 0.46, the stock to working capital ratio is 0.43 to 2019-20, the stock to working capital ratio is 0.31 to 2020-21, the stock to working capital ratio is 0.14 to 2021-22 and the stock to working capital ratio is 0.09 to 2022-23. The stock to working capital ratio is decreasing trend.

#### CURRENT ASSETS TO WORKING CAPITAL RATIO:

Ratio shows the difference between the current assets and working capital thus shows the position of the firm. The purpose of the ratio is to working capital influenced in current assets.

TABLE: CURRENT ASSETS TO WORKING CAPITAL RATIO

Year	C.A (In lakhs)	W.C (In lakhs)	Ratio (Rs in Cr)
2018-19	222.33	153.30	1.45
2019-20	228.32	161.71	1.41
2020-21	183.45	104.60	1.75
2021-22	189.97	123.06	1.54
2022-23	144.37	84.18	1.71

Sources: Balance sheet  
INTERPRETATION:

From the above table it was clear the current assets to working capital ratio for the year 2018-19 the ratio was 1.45, the next year ratio is 1.41 to 2019-20, and the next year ratio is 1.75 to 2018-19, the current assets to working capital ratio is 1.54 to 2021-22 and the last year ratio is 1.71 to 2022-23.

#### DEBT EQUITY RATIO

Expresses the relationship between the external equities and internal equities or the relationship between borrowed funds and owner's capital. It is a popular measure of the long-term financial solvency of a firm. This relationship is shown by the debt equity ratio. This ratio indicates the relative proportion of debt and equity in financing the assets of a firm. This ratio is computed by dividing the total debt of the firm by its equity (i.e.) net worth.

TABLE: DEBT EQUITY RATIO

Year	Total Long-Term Debt (in Lakhs)	Shareholder's funds (in Lakhs)	Ratio
2018-19	174.13	75.57	0.43
2019-20	165.49	62.23	0.37
2020-21	120.53	26.65	0.22
2021-22	145.14	12.43	0.085
2022-23	113.12	1.29	0.011

Sources: Balance sheet  
INTERPRETATION

The above table shows the debt equity relationship of the company during the study period. It was 0.43 in the year 2018-19 and then



decreasing to 0.37 again in the next year 2019-20 also decreasing. In the year 2021-21 the ratio was 0.011. Hence the company is maintaining its debt position. The debt equity ratio was in decreasing trend, which shows that the company is stable in its financial position with reference to its borrowings in minimal level.

The current assets, current liabilities and working capital percentage were above 100% in the year of 2018-19. The current assets were normal in the year of 2021-22 is 123.51 and the current liabilities to 171.14 for 2022-23. The working capital trend percentage was decreased in the year of 2022-23 is 70.64.

#### FIXED ASSET RATIO

The ratio establishes the relationship between fixed assets and long-term funds. The objective of calculating this ratio is to ascertain the proportion of long-term funds invested in fixed assets.

TABLE: FIXED ASSET RATIO

Year	Fixed Assets (in Lakhs)	Long Term Funds (in Lakhs)	Ratio
2018-19	101.84	75.57	1.35
2019-20	71.08	62.23	1.14
2020-21	48.53	26.65	1.82
2021-22	39.82	16.43	2.42
2022-23	29.92	10.29	2.90

Sources: Balance sheet

#### INTERPRETATION

Table shows the fixed assets ratio during the period 2018-19 to 2019-20. The table indicates that the company has 1.35 in the year of 2018-19 then next year decreased to 1.14 in 2019-20. The last year increased 2.9 in the year of 2022-23. The Fixed asset ratio is increasing trend. It implies that the company is using its fixed assets more effectively.

#### TREND ANALYSIS

Time series or trend analysis of ratios indicates the direction of change this kind of analysis is particularly applicable to the items of profits and loss account. It is advisable that trends of sales and net income may be studied in the light of two factors: the rate of fixed expansion or secular trend in the growth of the business and the general price level.

TABLE: TREND ANALYSIS

YEAR	CURRENT ASSETS		CURRENT LIABILITIES		WORKING CAPTIAL	
	AMOUNT	TREND %	AMOUNT	TREND %	AMOUNT	TREND %
2019	222.33	100	69.03	100	153.30	100
2020	228.32	88.89	66.61	81.85	161.71	140.78
2021	183.45	112.83	78.85	112.39	104.60	116.03
2022	189.97	123.51	66.91	135.42	123.06	35.65
2023	144.37	159.14	60.19	171.14	84.18	70.64

#### INTERPRETATION



COMPARATIVE BALANCE SHEET FOR THE YEAR OF 2018-2019

Liabilities	2018	2019	Changes	
			Increase/ Decrease	% of Changes
<b>Currents Assets:</b>				
Inventories	70.69	68.78	-1.91	-2.70
Sundry debtors	48.11	43.07	-5.04	-10.48
Cash and Bank Balance	2.86	3.24	0.38	13.29
Loans and advances	100.67	113.23	12.56	12.48
Fixed deposit	0.00	0.00	0.00	0.00
<b>Total (A)</b>	<b>222.33</b>	<b>228.32</b>	<b>5.99</b>	<b>2.69</b>
<b>Fixed assets:</b>				
Net block	101.84	71.08	-30.76	-30.20
Capital work in progress	2.13	0.24	-1.89	-88.73
<b>Total(B)</b>	<b>103.97</b>	<b>71.32</b>	<b>-32.65</b>	<b>-31.40</b>
<b>Current Liabilities and provisions:</b>				
Current Liabilities Provisions	63.62	61.72	-1.9	-2.99
Share Capital	75.57	62.23	-13.34	-17.65
<b>Total (C)</b>	<b>139.19</b>	<b>123.95</b>	<b>-15.24</b>	<b>-20.64</b>
<b>Total Liabilities [A + B+C]</b>	<b>465.49</b>	<b>423.35</b>	<b>-41.9</b>	<b>49.35</b>

COMPARATIVE BALANCE SHEET FOR THE YEAR OF 2020-2021

Liabilities	2020	2021	Changes	
			Increase/ Decrease	% of Changes
<b>Currents Assets:</b>				
Inventories	68.78	32.95	-35.83	-52.09
Sundry debtors	43.07	19.34	-23.73	-55.10
Cash and Bank Balance	3.24	1.15	-2.09	-64.51
Loans and advances	113.23	130.01	16.78	+14.82
Fixed deposit	0.00	0.00	0.00	0.00
<b>Total (A)</b>	<b>228.32</b>	<b>183.45</b>	<b>-44.87</b>	<b>-19.65</b>
<b>Fixed assets:</b>				
Net block	101.84	71.08	-30.76	-30.20
Capital work in progress	2.13	0.24	-1.89	-88.73
<b>Total(B)</b>	<b>71.32</b>	<b>48.59</b>	<b>-22.73</b>	<b>-31.87</b>
<b>Current Liabilities and provisions:</b>				
Current Liabilities Provisions	63.62	61.72	-1.9	-2.99
Share Capital	75.57	62.23	-13.34	-17.65
<b>Total (C)</b>	<b>139.19</b>	<b>123.95</b>	<b>-15.24</b>	<b>-20.64</b>
<b>Total Liabilities [A + B+C]</b>	<b>260.81</b>	<b>172.81</b>	<b>-88</b>	<b>-33.74</b>



COMPARATIVE BALANCE SHEET FOR THE YEAR OF 2021-22

Liabilities	2021	2022	Changes	
			Increase/ Decrease	% of Changes
<b>Currents Assets:</b>				
Inventories	32.95	17.71	-15.24	-46.25
Sundry debtors	19.34	17.67	-1.67	-8.63
Cash and Bank Balance	1.15	11.29	10.14	881.74
Loans and advances	130.01	143.30	13.29	10.22
Fixed deposits	0.00	0.00	0.00	0.00
<b>Total (A)</b>	<b>183.45</b>	<b>189.97</b>	<b>6.52</b>	<b>3.55</b>
<b>Fixed assets:</b>				
Net block	48.53	39.82	-8.71	-17.95
Capital work in progress	0.06	0.00	-0.06	-100
<b>Total(B)</b>	<b>48.59</b>	<b>39.82</b>	<b>-8.77</b>	<b>-18.05</b>
<b>Current Liabilities and provisions:</b>				
Current Liabilities Provisions	73.40	60.90	-12.5	-17.03
Share Capital	26.65	12.43	-14.22	-53.36
<b>Total(C)</b>	<b>100.05</b>	<b>73.33</b>	<b>-26.72</b>	<b>-70.39</b>
<b>Total Liabilities [A + B+C]</b>	<b>332.09</b>	<b>303.12</b>	<b>-28.97</b>	<b>-84.89</b>

COMPARATIVE BALANCE SHEET FOR THE YEAR OF 2022-2023

Liabilities	2022	2023	Changes	
			Increase/ Decrease	% of Changes
<b>Currents Assets:</b>				
Inventories	17.71	7.55	-10.16	-57.37
Sundry debtors	17.67	4.86	-12.81	-72.49
Cash and Bank Balance	11.29	2.68	-8.61	-76.26
Loans and advances	143.30	129.28	-14.02	-9.78
Fixed deposits	0.00	0.00	0.00	0.00
<b>Total (A)</b>	<b>189.97</b>	<b>144.37</b>	<b>-45.6</b>	<b>-24.00</b>
<b>Fixed assets:</b>				
Net block	39.82	29.92	-9.9	-24.86
Capital work in progress	0.00	0.00	0.00	0.00
<b>Total(B)</b>	<b>39.82</b>	<b>29.92</b>	<b>-9.9</b>	<b>-24.86</b>
<b>Current Liabilities and provisions:</b>				
Current Liabilities Provisions	60.90	55.80	-5.1	-8.37
Share Capital	12.43	1.29	-11.14	-89.62
<b>Total(C)</b>	<b>73.33</b>	<b>57.09</b>	<b>-16.24</b>	<b>-97.99</b>
<b>Total Liabilities [A + B+C]</b>	<b>303.12</b>	<b>231.38</b>	<b>-71.74</b>	<b>-146.85</b>



## VII. FINDINGS SUGGESTIONS AND CONCLUSION

### FINDINGS

The working capital turnover ratio is 2.11 in 2018-19 and decreased to 1.69 in 2019-20 and then increased to 2.16 in 2020-21 then last year decreased to 1.51. This shows working capital turnover ratio is fluctuated and decrease level. Fluctuation factor may be low in marketing strategy due to pandemic, Sales level is decreased.

The inventory turnover ratio from 2018-23. The ratio shows Increasing trend during the study period. The ratio shows highest as 10.08 at 2022-23 and shows lowest as 3.91 at 2019-20. The ratio indicates at the year 2020-21 the company performs better of inventory and at the year 2019-20. The reason for this is due to extension of factory premises in post covid.

The Debtors turnover ratio lays within its Higher limit. The ratio shows lowest as 5.99 at 2019-20 and shows highest as 11.30 at 2022-23 and there is no standard norm for Debtors turnover ratio. Debtor's turnover ratio is increasing trend. It implies that the company's debts are efficient and the financial position is good.

The gross profit ratio. This ratio is an indicator of the firm's ability to meet its current obligations. The lowest ratio (-6.43) was obtained during the period 2019-20 and the highest ratio (0.32) value obtained during the period 2018-19. The gross profit ratio is Decreasing trend.

The Net profit ratio from 2018-23. The ratio shows that (-0.51) at 2018-19 and increased to (-4.89) at 2019-20 and then it was increased to -14.89 in 2020-21 and then Decrease to -8.75 in 2022-23. So the Net profit ratio is fluctuated trend.

The current ratio is an indicator of the firm's ability to meet its current obligations. The lowest ratio (2.33) was obtained during the period 2020-2021 and the highest ratio (3.43) value obtained during the period 2019-2020. The current asset ratio is above than the decreasing level. Therefore, the current ratio is considered not satisfactory.

The quick ratio from 2018-23. The quick ratio shows fluctuating trend throughout the study

period. Even though it had decreased the quick ratios not satisfy the standard norm. The ratio shows highest as 2.57 at 2021-22 and shows lowest as 1.91 at 2020-21.

There is a Decreasing in current assets turnover ratio throughout the study period range between 1.45, 1.19, 1.23, 0.89 and 0.88, even though the fund contributed in the current assets turnover shows a decreasing trend.

The operating profit ratio shows and Decreasing trend in the financial year 2018-19 and 2022-23 are 9.05 to 4.92 whereas in the last financial years 2022-23 the operating profit ratio is 4.92.

The financial years the fixed asset turnover ratio is 2018-19 is 3.17 and the next year ratio is increased to 3.84 The next year of 2020-21 is 4.65 and the last two year was to 4.27 and 4.25. So the Fixed asset turnover ratio is fluctuating and decreasing trend.

It was clear the stock to working capital ratio for the year 2018-19 the ratio was 0.46, the stock to working capital ratio is 0.43 to 2019-20, the stock to working capital ratio is 0.31 to 2020-21, the stock to working capital ratio is 0.14 to 2021-22 and the stock to working capital ratio is 0.09 to 2022-23. The stock to working capital ratio is decreasing trend.

It was clear the current assets to working capital ratio for the year 2018-19 the ratio was 1.45, the next year ratio is 1.41 to 2019-20, and the next year ratio is 1.75 to 2018-19, the current assets to working capital ratio is 1.54 to 2021-22 and the last year ratio is 1.71 to 2022-23.

The debt equity relationship of the company during the study period. It was 2.30 in the year 2018-19 and then reached up to 2.66 again in the next year 2019-20 onwards it again increased to 4.52. It was increased from the year 2020-21 is 87.69. Hence the company is maintaining its debt position. The debt equity ratio was increasing trend.

The fixed assets ratio during the period 2018-19 to 2019-20. The table indicates that the company has 1.35 in the year of 2018-19 then next year decreased to 1.14 in 2019-20. The last year increased 23.19 in the year of 2022-23. The Fixed asset ratio is increasing trend.



## TREND ANALYSIS

The current assets, current liabilities and working capital percentage were above 100% in the year of 2018-19. The current assets were normal in the year of 2021-22 is 123.51 and the current liabilities to 171.14 for 2022-23. The working capital trend percentage was decreased in the year of 2022-23 is 70.64.

## SUGGESTIONS

The study reveals from the various analysis of the financial statements to achieve profitability. The cost control strategies can be maintained of through decrease in cost of production and cost reduction based on decreases in unit cost of the product.

The cost operating profit ratio is used to track the efficiency of the concern that it is of decreasing trend, only by means of increasing state the concern will be profitability. So that expenses are to be minimized in terms of planned budgets.

## CONCLUSION

The study investigated the effect of cost control on the financial performance of manufacturing firms. The specific objectives include examining the cost of inventories, the cost of labor, and the cost of sales on performance. The study will be relevant for investors, management board and regulatory bodies. The study employed a descriptive research design. The study employed panel data covering four (4) years 2018-2023 which was gathered from the financial statement of a selected manufacturing firm. The study employed the fixed effect regression method for its data analysis.

The study revealed that cost of inventories has insignificant negative effect on return on equity, which depicts that cost on inventories have a negative influence of the going concern of the organization in terms of profit, but it should not be given the utmost importance as the only cost relevant components in the organization that can enhance performance. The cost of labor will increase performance but could be detrimental if

the money spent on labor as it takes a larger percentage of the overall profit component of the organization. Moreover, the cost of sales showed a positive and significant influence on the profitability or performance of the sampled companies affirming that it is prudent for the organizations to spend to reap profit as in their sales revenue.

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