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Financial Analysis of IBM

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ABSTRCT

Finance is regarded as the life-blood of every business enterprise. No business, either big, medium or small can be started without adequate amount of finance. Financial 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 analysis. This study is based on the “Financial analysis of IBM”.

INTRODUCTION TO STUDY

Financial analysis is the process of evaluating businesses, projects, budgets, and other finance-related transactions to determine their performance and suitability. Typically, financial analysis is used to analyze whether an entity is stable, solvent, liquid, or profitable enough to warrant a monetary investment.

STATEMENT OF THE PROBLEM:

The goal of such analysis and performance is to determine the efficiency of operation of firm. The financial statement only shows the process and activity done but financial analysis and performance shows dept efficiency of functions. Hence this study conducted analysis to know efficiency of IBM and to identify their growth of firm and to know how financial performance plays a vital role in growth of the firm.

SCOPE OF STUDY:

A scope denotes the subset of the Banking models that supports project business requirements. Scopes are expressed in Information Governance Catalog (IGC) as a category that includes a number of term references.

These term references express the list of business terms, analytical requirements, measures, dimensions and supportive content terms that make up the scope.

OBJECTIVES OF STUDY:

- To assess the earning capacity or profitability of the IBM
- To assess the operational efficiency and managerial effectiveness.
- To assess the short term as well as long term solvency position of the IBM

REVIEW OF LITERATURE:

Covin and Slevin (1989) and Li et al (2008) have proved accordingly.(Baker & Sinkula, 1999)According to the opinion of Tiwana (2003) the global IT companies have to integrate their knowledge into an interactive whole to exist in a competitive environment. Also due to the knowledge explosion, the companies have to create new knowledge from time to time

West head (2003) in their study of working capital in small firms of UK, found that firms focus only on those areas where they expect to improve marginal returns.

RESEARCH METHADOLOGY

DATA COLLECTION

SECODARY DATA:

Secondary data refers to Second-hand information". These are not originally collected rather obtained from already published or unpublished sources.

Secondary data is the data that has already been collected through primary sources and made readily available for researchers to use for their own research. It is a type of data that has already been collected in the past.

PERIOD OF STUDY:

The study consists of the analysis of the overall financial performance of the company with the help of Financial Ratios for 5 years.

TOOLS USED FOR THE STUDY:

COMPARATIVE NALANCE SHEET

RATIO ANALYSIS

LIMITATION OF THE STUDY:

Financial analysis is a powerful mechanism of determining financial strengths and weaknesses of a firm. But, the analysis is based on the information available in the financial statements. Thus, the financial analysis suffers from serious inherent limitations of financial statements.

The financial analyst has also to be careful about the impact of price level changes, window-dressing of financial statements, changes in accounting policies of a firm, accounting concepts and conventions, and personal judgment, etc.

DATA ANALYSIS AND INTERPRETATION:

Comparative Balance Sheet for the year 2021-2022

PARTICULARS	2021	2022	INCREASE OR DECREASE IN RS	INCREASE OR DECREASE IN %
Equities and liabilities				
Equity share capital	**18,996,000**	**22,021,000**	**-3,025,000**	**-13.73**
Payable and accrued exp	**10,136,000**	**10,358,000**	**-222,000**	**-2.14**
pension	**3,204,000**	**3,481,000**	**2,77,000**	**0.07**
Current debt and capital	**7,760,000**	**5,633,000**	**2,127,000**	**37.75**
Current deferred and liabilities	**12,518,000**	**12,032,000**	**4,86,000**	**4.03**
Other current liabilities	**1,000**	**1,000**	**_**	**_**
Total liabilities	**33,619,000**	**31,505,000**	**2,114,000**	**6.71**
Noncurrent liabilities				
Long term provision	**6,27,000**	**6,486,000**	**-2,15,000**	**-3.31**
Long term debt and capital	**47,37,000**	**48,379,000**	**-1,000,000**	**-2.06**
Non currant deferred liability	**7,533,000**	**5,791,000**	**1,742,000**	**30.08**
Trade and other payable	**72,000**	**90,000**	**-18,000**	**-20**

Non current accreed exp	**2,53,000**	**2,79,000**	**-26,000**	**-9.31**
Employees benefits	**16,480,000**	**11,206,000**	**5,274,000**	**47.06**
Derivative product liability	**1,03,000**	**4,88,000**	**-3,85,000**	**78.89**
Other current liability	**1,295,000**	**9,98,000**	**2,97,000**	**29.75**
Total non current liability	**79,386,000**	**73,717,000**	**5,669,000**	**7.69**
Total Equities and liability	**132,001,000**	**127,243,000**	**4,758,000**	**3.60**

ASSETS

PARTICULARS	**2021**	**2022**	**INCREASE OR DECREASE IN RS**	**INCREASE OR DECREASE IN %**
Cash equivalents	**7,250,000**	**8,738,000**	**-1,488,000**	**-20.52**
Receivable	**14,977,000**	**14,209,000**	**7,68,000**	**5.12**
Inventory	**1,649,000**	**1,552,000**	**97,000**	**5.88**
Prepaid assets	**3,466,000**	**_**	**3,466,000**	**_**
Restricted Cash	**3,07,000**	**4,03,000**	**-96,000**	**-31.27**
Current deferred assets	**1,097,000**	**9,67,000**	**1,30,000**	**11.85**
Assets for sale	**7,93,000**	**9,39,000**	**-1,46,000**	**-18.41**
Others current assets	**_**	**2,610,000**	**2,610,000**	**_**
Total current Assets	**29,539,000**	**29,118,000**	**4,21,000**	**1.42**
No current assets	**102,460,000**	**98,126,000**	**4,334,000**	**4.22**
Total assets	**132,001,000**	**127,243,000**	**47,580,000**	**3.60**

INTERPRETATION:

The total assets have decreased from Rs. 132,001,000 in 2021 to Rs. 127,243,000 in 2022, which is a decrease of Rs. 4,758,000 or 3.60%. This might indicate a decrease in the company's overall profitability or a decrease in investments.

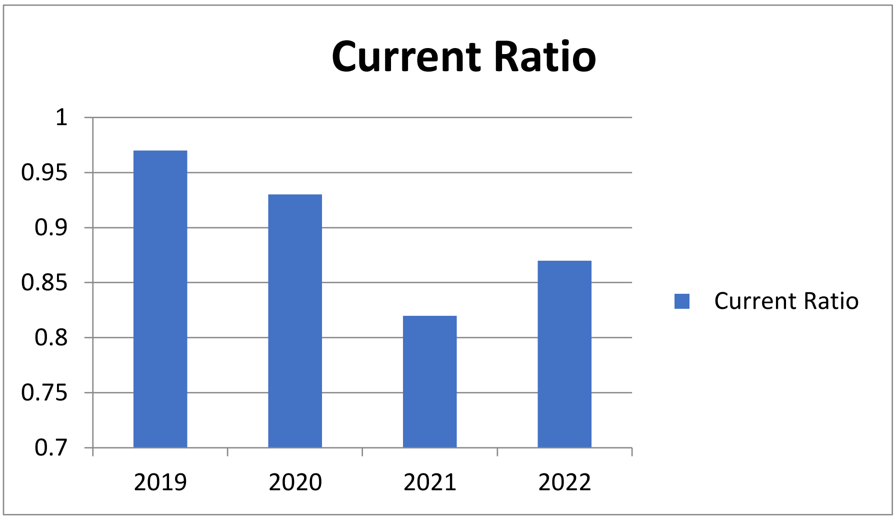
RATIO ANALYSIS:

Current Ratio

Financial Year	**Current Assets**	**Current Liability**	**Current Ratio**
2022	29,118,000	31,505,000	0.924
2021	29,539,000	33,619,000	0.87
2020	39,165,000	39,869,000	0.98
2019	38,420,000	37,701,000	1.01

INTERPRETATION:

The current assets of the company decreased from 2019 to 2022, while the current liabilities decreased until 2022. The quick ratio of the company decreased from 2019 to 2020, but it increased in 2021 and 2022, indicating a slight improvement in the company's short-term liquidity position. However, it is important to consider other financial metrics and qualitative factors to get a comprehensive understanding of the company's financial health.

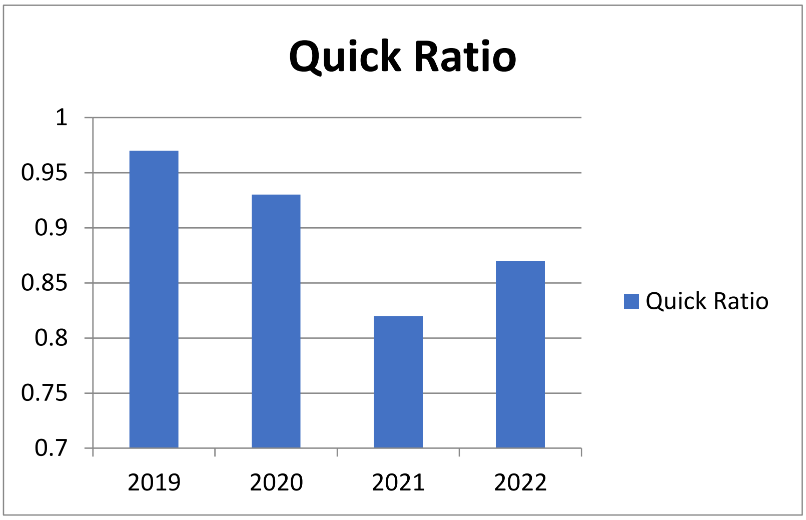


Quick Ratio

Financial Year	**Quick Assets**	**Quick Liability**	**Quick Ratio**
2022	27,566,000	31,505,000	0.87
2021	27,890,000	33,619,000	0.82
2020	37,326,000	39,869,000	0.93
2019	36,801,000	37,701,000	0.97

INTERPRETATION:

The Quick Ratio has also been fluctuating in the last four years, with the lowest value recorded in 2021, indicating that the company had difficulty meeting its short-term obligations in that year. However, in 2022, the Quick Ratio improved slightly, but it is still below 1, indicating that the company may still face challenges in meeting its short-term obligations.



FINDINGS, SUGGESTIONS AND CONCLUSIONS

FINDINGS:

The financial information presented in the table shows a mixed picture for the company's financial health. While there was an increase in some areas such as equity share capital, employee benefits, non-current deferred liability, and non-current assets, there were also decreases in areas such as cash and cash equivalents, inventory, and restricted cash. It is important to note that these changes in the financial statements may be affected by various external and internal factors, and a more comprehensive

The current ratio compares a company's current assets to its current liabilities, and the table shows that the company's current ratio has decreased from 1.01 in 2019 to 0.924 in 2022. This indicates that the company's liquidity position has weakened over the years, as its current liabilities have increased faster than its current assets.

The quick ratio is similar to the current ratio, but it only includes the company's most liquid assets, such as cash and accounts receivable. The table shows that the company's quick ratio has also declined from 0.97 in 2019 to 0.87 in 2022. This suggests that the company may face difficulty in meeting its short-term obligations using only its liquid assets.

SUGGESTIONS:

Innovate and Embrace New Technologies: IBM has a long history of innovation, and it needs to continue to invest in new technologies to stay competitive. IBM should focus on emerging technologies such as AI, block chain, and cloud computing, and ensure that it has the necessary skills and resources to develop these technologies.

Enhance Customer Experience: IBM should prioritize enhancing its customer experience by providing excellent customer service, personalized solutions, and reliable products. By providing exceptional customer experience, IBM can build customer loyalty and gain a competitive advantage.

CONCLUSION:

If IBM's financial statements show consistent revenue growth, improving profitability, strong cash flow, and manageable debt levels, then it would indicate that the company is performing well and is on track to meet its financial goals. On the other hand, if the financial statements show declining revenue, negative profitability, weak cash flow, and high debt levels, it would indicate that the company may be facing challenges and needs to take corrective actions.

It is important to note that the financial statements of a company should be analyzed in conjunction with other factors, such as industry trends, market conditions, and strategic initiatives, to gain a more comprehensive understanding of its financial performance and prospects.

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