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FINANCIAL POSITION ANALYSIS OF SECONDARY SCHOOL: A CASE STUDY ON AN ENGLISH MEDIUM SCHOOL IN DHAKA





Internship Report on-
*Financial Position Analysis of Secondary School:
A Case Study On
An English Medium School in Dhaka*

Submitted to:

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BRAC Business School (BBS), BRAC University.

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Letter of Transmittal

Mr. Saif Hossain

Assistant Professor

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Subject: Submission of Internship Report.

Dear Sir,

I am happy to present this report, which has been set up for the prerequisite of entry level position program. The report entitled "Accounts Management in Vision Global School (Financial Accounting Team)". I have endeavored my best of my ability to complete the report relevantly and to draw out a critical information inside the objectives. I expected to meet a couple of inconveniences while getting information for the wander. Additionally, the study has allowed us to relate heaps of theoretical and cash related learning with the functional world.

I appreciate your kind guidance, assistance, endurance and feedback regarding this report which will definitely help me to go into the future as an intense guideline. I will be available for any questions and clearing up regarding this report whenever necessary.

Sincerely yours,

Mamun Ahmed

ID-12204029

BRAC Business School



Acknowledgement

This report is the accomplishment part of my BBA program and to upsurge the ability to reflect about the practical work experience. In the applied field, a huge amount of hard work and learning have done to make the information solid. This would have not been promising without the earnest help and proposition assist.

First of all I would like to be grateful to almighty Allah for giving me strength to finish three month long experience of working with an institution. I have learnt a lot while working in their accounts team. Secondly I am deeply obligated to my honorable Faculty Adviser, Mr. Saif Hossain, who has directed and led me with care and serenity throughout the whole labor. Without his supervision, completing this report would not have been possible. Lastly I would like to express thanks to my internship supervisors Mrs. Papia Chowdhury, Manager, Administration & Accounts Division, of Vision Global School. It was their motivation, composure and valuable advice that enabled me to finish this report.



Executive Summary

In this report I have endeavored to bring a reasonable image of my experience of working in Accounts Department of Vision Global School about the liquidity position, profitability efficiency and other resource management abilities of the organization. By means of study I have consider the prime information from the organization and other secondary sources to accomplish the report. The organization's annual reports gave me a clear view to demonstrate the statistical figures and present graphical presentations.

In my findings I came to a conclusion that the financial position of Vision Global School is not satisfactory at all. The huge amount of investment along with operating and administrative expenses made the financial condition worsen in long run. To overcome the situation the organization need to implement the variances analysis and plan for some short term strategies and a number of long term financial schemes.



BACKGROUND OF THE STUDY

Exactly when a student of BRAC University finish his or her all academic courses he or she needs to go through a phase named internship which proposed for being experienced for the corporate life. Students need to join an organization to take an interest into a piece of that organization to fulfil certain duties as a participant for three month. It is a huge test to act as a piece of down to earth come across where a student gets a possibility of working and coordinating his or her theoretical information with the undertaking they are appointed to perform. I have similarly find the opportunity to work in an institution named Vision Global School which is an English Medium school operate under the authorization of Edexcel International, British Council Bangladesh. I work in their Accounts Department. In that department I needed to input and check all the fees collections, bill payments, maintain number of bank accounts and prepare periodical financial statements which have a high noteworthiness in the organization in term of managing Accounts Department. I also needed to be able to deal a group of merchants who are basically suppliers or vendors of this institution.

In this report I will describe what experience I have gathered recording along with meting out factors of accounting information. Organization points of interest is additionally going to be represented what is the history and what is the motto of the organization I have worked in.



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Chapter-01

Introduction



ORIGIN OF THE STUDY

This report is basically for the accomplishment of my internship program. Here I will endeavor to give a distinctive picture of recording and processing of accounting information in Vision Global School. I truly believe this report will be a foundation in understanding what are the satisfactory recording and processing system of accounting information and how much important their accounting information is to them.

SCOPE

Here I will get the opportunity to figure out how much important the monetary transaction has when they occur into an organization. Fundamentally Vision Global School is operating an educational institute as they don't have clients like other common businesses. I will equally become more acquainted with what services they compromise to their stakeholders.



LITERATURE REVIEW

Bansal and Gupta (1985) in their study titled, “Financial Ratio Analysis and Statistics” coherent that the measurement of variety in the enquiry time frame had a wide fleabag fluctuating between 7.1% and 51.3% for existing ratio and proportion of settled possessions for contracts. The structure of divisions of here and now liquidity ratio by and large has low relationship as against long haul dissolvability proportion parts however the segments of the two proportions freely have very sophisticated link.

Praveen Kumar Jain (1993) showed in a study to “Evaluate the elementary constituents of Working Capital”. The investigation exposed that the current ratio out in the open part endeavors amid the examination time frame was observed to be very unpredictable while the same in private area activities enrolled continuous deterioration. To the extent the standard was worried, the examination exposed that it was intensely impromptu in wide daylight partition undertaking units when compared with private region units. The examination underwritten much as far as considerate the importance of feasible administration of working capital.

The most upfront approach to assess the implementation of a firm is to compare its present proportion and the past proportion. It gives a marker of the bearing of growth and reflects whether the business's monetary execution has boosted, collapsed or stayed steady after some time (Pandey, 2004).

James conveyed up that money related quantities are utilized by loan creditors, investors and cost accountant to assess information exhibited on a substance monetary articulation. Depending upon the consequences of the assessments, and leasers may expand or pull out financing and potential investors may alter the level of concern in an organization.



Van Horne & Wachowicz Jr. (2005) expressed that to assess a business's budgetary condition and execution the money related auditor need to perform "checkups" on dissimilar parts of a business's economic well-being. A device much of the time utilized these inspection is a monetary proportion.

One can utilize budgetary proportions to decide an business's liquidity, gainfulness, dissolvability, and sufficiency utilized money related proportions to establish the monetary position and execution investigation of firm. (Qamruzzaman, 2014)



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Chapter-02

INSTITUTE PROFILE

ABOUT VGS

Vision Global School located at the very heart of this lively interesting city. The Vision Global School authority is warm & friendly but propositions the highest principles of educational care. Vision Global School is in its successful accomplishment of fourth academic term. Vision Global School truly rely on in an education system that cultivates a "holistic" style & creates prospects for students of all ages to advance themselves not only educationally but in other extents as well.

The mission of Vision Global School, Dhaka is to offer superiority and inform education to students of Play Group through A Level with the intention of formulating them for a better tomorrow. They rise the children that come to the school into accountable and good human beings and children leave well presented to achieve a better upcoming for themselves, their families, their countries and the world in broad.

They prepare children to face with self-confidence and eagerness the challenges of modern life and to give absolutely to the world.

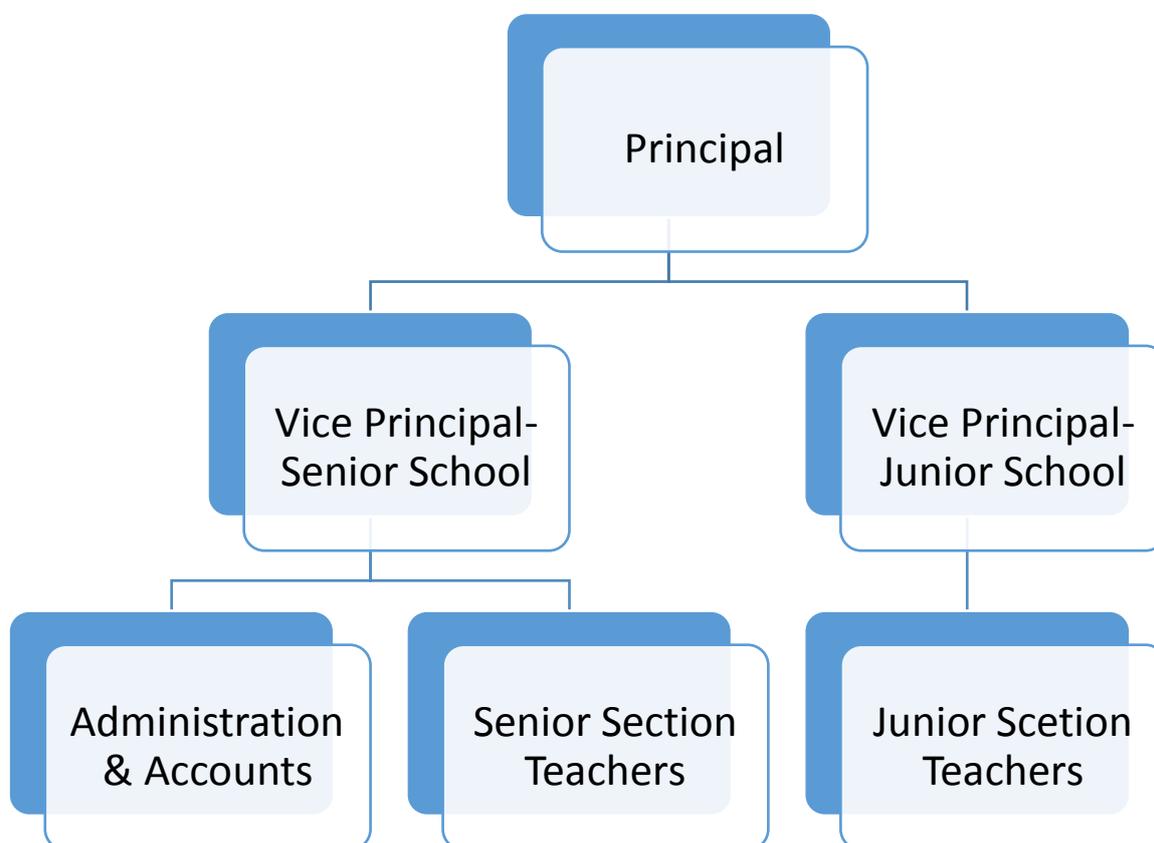
The workforces of Vision Global School are very much devoted to achieve their legislative goal. They set them up for the imminent by building up the correct talents and ability to assurance they convey the correct appreciative to the interested party.





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VGS ORGANOGRAM



The Principal is the head of Vision Global School. He has the supreme power to take all sort of decisions regarding the management and academic issues. He leads the present progress and future development of the institute. Two separate Vice Principals are followed after the Principal. One Vice Principal is for controlling the Senior Section of the school and operating the Administration and Accounts department as well. She takes care of upgrading the Accounts Department and run a smooth Administrative team regularly. Administrative team is build up by 3 employees they are ranks as senior executive and junior executives. In Accounts section there are 2 employees and an intern. All of them has the access to input each and every transactions of the institution. Collection of monthly fees, payments to teachers, staffs, various suppliers and vendors and others monetary transaction are need to be recorded. All these transactions are recorded using an Accounting software provided by Esteem Corporation, Bangladesh.



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Chapter-03

JOB RESPONSIBILITIES



MY EXPERIENCE IN ACCOUNTS DIVISION

❖ WORKING ENVIRONMENT

A constructive, supportive, enthusiastic work environment is the thing that holds staffs as time goes on, and impels them to work harder. A standout amongst other segments of Vision Global School is its work environment. The work environment of Accounts Division of Vision Global School is simply awesome.

Each one of the specialists of the workplace are incredibly capable with respect to complete their occupations. Of course when anyone needed support, they were constantly there to help each other. From the early days, at whatever point I had any bother in understanding anything, which I ought to yield that it happened an incredible arrangement on my fundamental days of transitory employment, each of them had helped me surrounding they could. I worked particularly under the supervision of Mrs. Papia Chowdhury, Manager, Administration & Accounts Division, of Vision Global School. An expansive part of the things I may have learnt in my entrance level position understanding, the credit for that goes particularly to these people. They have helped me hugely in my temporary job days. They, and also substitute partners have in like manner been uncommonly helpful and never said no when I needed their support.

Over that, each one of the staffs of Vision Global School are kind in nature. At first I was negligible focused on that how I would work with such a substantial number of people who are more settled than me and because of that reason I was to some degree solidified in my starting days of transitory position. Regardless, inside the essential week my accomplices encouraged me up. Likewise, inside no time I felt some portion of the giant VGS family. The treatment I got from them was particularly esteemed.

Starting from the Principal, everyone used to make jokes and offer scenes which used to make the place significantly more alive than interchange workplaces. With sufficient lighting and totally circulating air through and cooling, the working environment in the working environment was significantly lovelier. Consequent to judging each one of the components I expected to yield, the working environment is genuinely remarkable at Vision Global School.



❖ LEARNINGS

During my internship program I was working in their Accounts Division which is a sub division of the whole institute. They have several divisions in operating the institution. Among them Accounts division is one of the most important division. My role in the team is checking, sorting and processing all types of daily transaction. This includes the following:

- ❖ Receive Payments from clients,
- ❖ Generate Payment Slip for the clients
- ❖ Generate Day Books
- ❖ Create Expense Bill
- ❖ Pay Expense Bill
- ❖ Prepare Payment Schedule
- ❖ Payroll Management
- ❖ Income History
- ❖ Banking
- ❖ Generate Income Statement
- ❖ Generate Cashflow Statement
- ❖ Prepare Budgets
- ❖ Generate Financial Statements

Chapter-04

PROJECT ANALYSIS



OVERVIEW OF PROJECT ANALYSIS

Vision Global is an outstanding English medium school in Dhaka city. It gives great nature of schooling to the kids. In this report I attempt to discover financial position and dissect monetary condition by "Financial Analysis". It is a typical method to assess money related articulations through proportion examination. A proportion is a connection between two quantities of a similar kind. A financial analysis is a proportion of the relative extent of two chose numerical qualities taken from an organization's money related explanations.

Financial Analysis are compelling apparatuses for estimating the budgetary execution of an organization since they give a typical principle to assessment—for example, the measure of gross benefit produced by every cash of offers for various organizations. Numbers that show up on monetary articulations should be assessed in situation. It is their relationship to different numbers and the relative changes of these numbers that give some knowledge into the money related strength of a business. One of the primary reasons for proportion examination is to feature regions that require assist investigation and examination. Proportion investigation alone won't give a conclusive money related assessment. It is utilized as one diagnostic apparatus, which, when joined with educated judgment, offers knowledge into the budgetary execution of a business.

To play out a far reaching examination, subjective data about the organization and additionally proportions ought to be considered. Despite the fact that a business may have sold many fridges a year ago and the majority of the key monetary markers propose development, subjective data from exchange productions and buyer reports may demonstrate that the pattern will be towards coolers utilizing altogether unique innovations in the following couple of years. On the off chance that the organization does not have the limit or vital gear to deliver these new apparatuses, the present positive money related pointers may not precisely mirror the imaginable future monetary execution of the organization.



OBJECTIVE OF THE STUDY

As a student of Bachelor of Business administration we are encouraged to find the similarities between our learning & real world situation. So, this can also be considered as the objective for the project in a broader sense.

The primary objective of the report is to relate and explore the practical experience by working to link the theoretical knowledge with its application in a real life situation. The purpose of this report is to analyze the financial position of Vision Global School.

The secondary objective of this report is, after gathering and analyzing information of Vision Global School perception I have to recommends something relevant about my findings.

- Over view the liquidity condition.
- Find out the profitability earning efficiencies.
- Find out the how capable in using recourses.
- Comparison results with previous years and other standards.

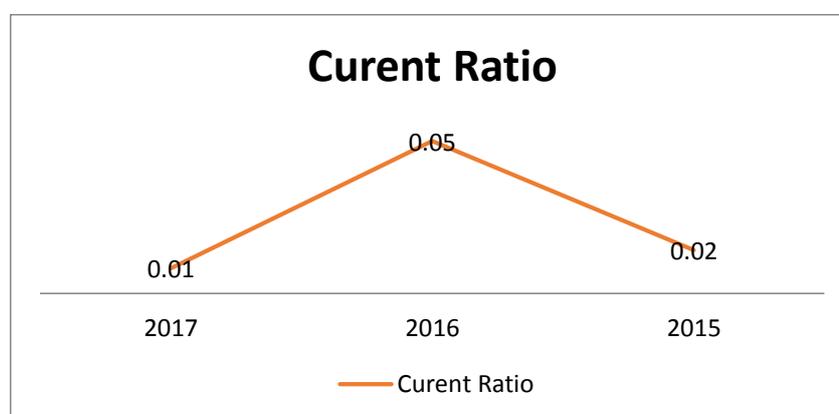
METHODOLOGY

The report is vivid in nature because both descriptive and graphical presentations are made. To complete a report accumulating data is very important. The statistics, facts and evidences were collected from both primary and secondary sources of data. About the information required was gathered from the organization's Accounts & Administration Division of Vision Global School. The study is directed to answer those request said in the objectives section. The data I have is basically all the qualitative data therefore I have to go for the qualitative research process. I will be having several graphical and pictures to have the strong representation of it.

PERFORMANCE ANALYSIS

OBJECTIVE 1 - LIQUIDITY RATIO

Current Ratio:



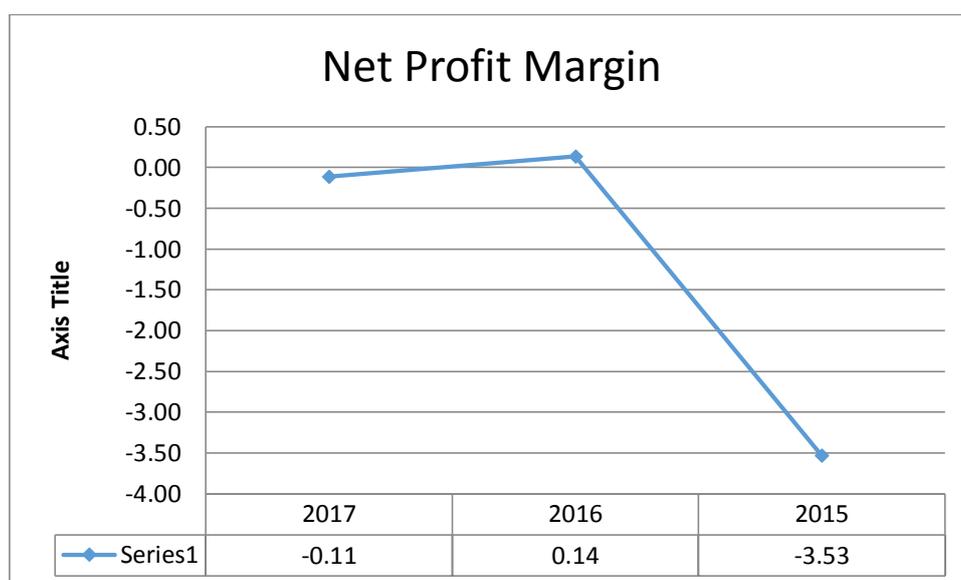
Current ratio measures the liquidity to repay the current liability it has enough current assets or not. For Vision Global School in 2017 current ratio was 0.01 times that means it has 0.01 current asset to pay 1 unit current liability. From 2015 to 2016 current ratio has increase to .051 from 0.02 and in 2017 it decrease to 0.01. The general standard current ratio is 2:1. So Vision Global School is poor to maintain liquidity. The liquidity condition of Vision Global School is bad.

Findings: VGS has been consistently poor in managing liquidity. It has a huge number of current liabilities in compare to current assets. In 2015 the current asset was higher in comparison to 2016 and again in 2017 current assets are higher. From the scenario, we can easily assume that VGS need had good control in 2016 rather than in 2015 and 2017.

Recommendation: VGS should hold more cash or cash equivalent assets and reduce liability such as Loan from Chairman, security money and advance fees collection.

OBJECTIVE 2 - PROFITABILITY RATIO

Net Profit Margin (NPM)



Net profit margin measures the profitability by doing revenue. In 2017 the NPM was -0.11% this means company generated -0.11 taka net profit by doing 100 Taka revenue. From 2015 to 2016 it increased to 0.14% from -3.53%. And from 2016 to 2017 it again falls in loss.

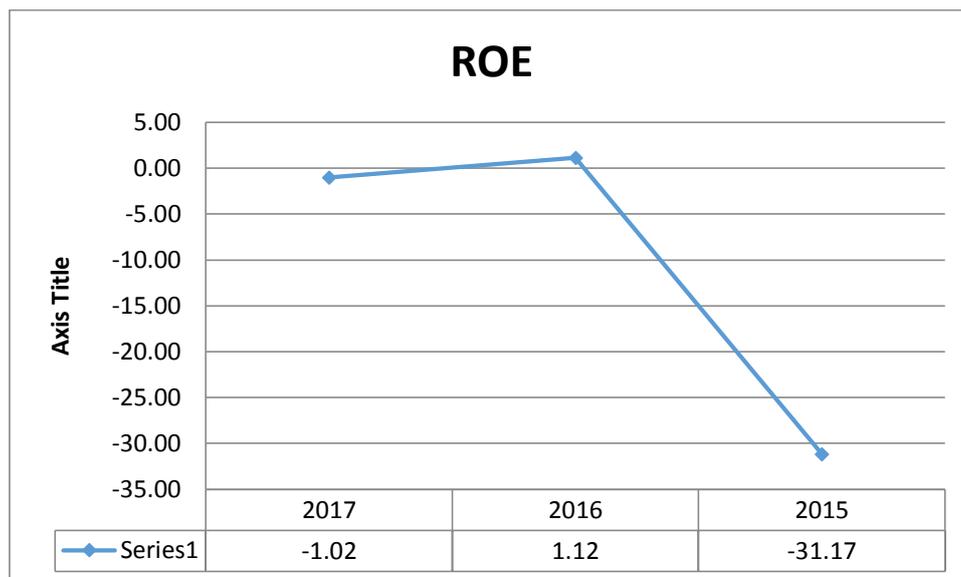
Findings: The performance of the Net Profit Margin for Vision Global School was poor in comparison between the years. Due to sever competition in schools in Gulshan it is becoming tough to maintain similar or growing margin every year. Overall the investment and other operating expenses are also growing fast to meet up various requirements of the students.

Recommendation: To improve Net profit margin the importance of sales or revenue is very high. It would be better to increase revenue of the organization in long term and reduce operating expenses as much as possible in short term.



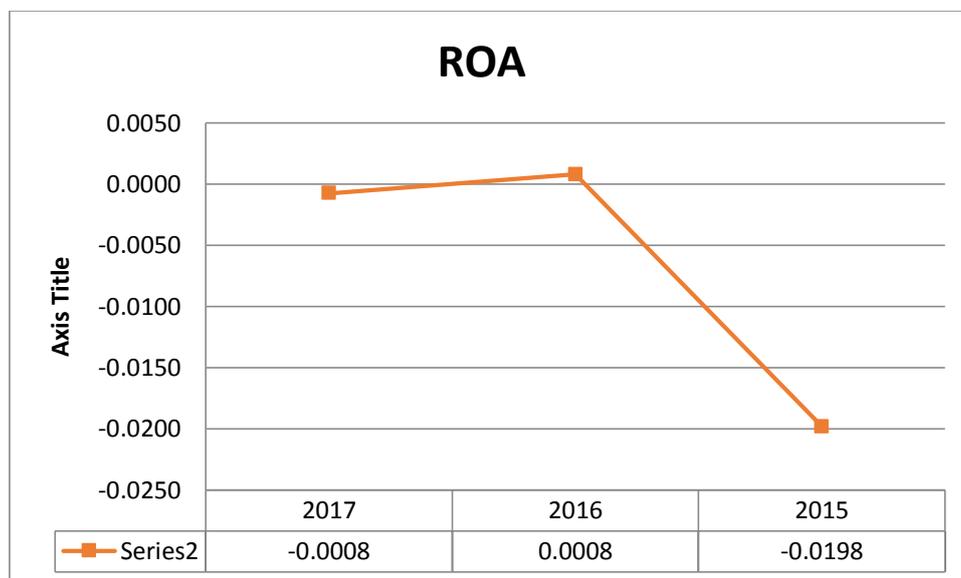
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Return on Equity (ROE):



ROE measures the profitability by using its shareholders equity. For Vision Tutorial in 2017, the ROE was -1.02% that means the company generated -1.02tk net loss by using its 100tk shareholders equity. In 2016 it earns 1.12% profit and in 2015 it has massive loss of 31.17%. Vision Global School has constant poor performance in ROE. In 2015 it has huge amount of financial cost that's leads to loss of 31.17%.

Return on Asset (ROA):



ROA measures the profitability by using its total assets. For Vision Global School in 2017, the ROA was -0.0008% that means the company generated -0.0008tk net loss by using its 100tk shareholders equity. From 2015 to 2016 it increased to 0.0008% from -0.0198%. And from 2016 to 2017 it again falls in loss of 0.0008%.

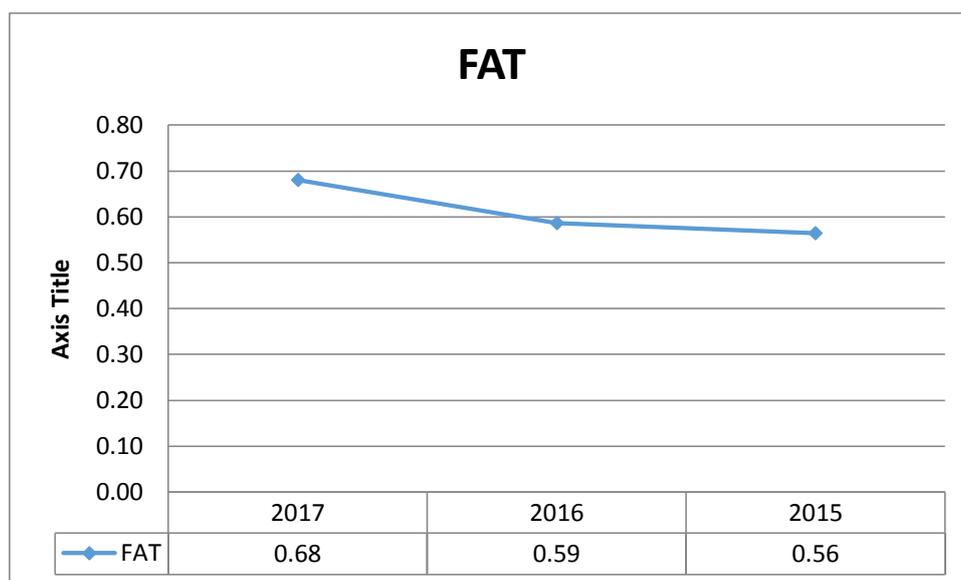
So it has a poor ROA due to lower profit and loss.

Findings: VGS’s performance in profitability is very much poor for lower amount of profit or loss compare to its assets and equity. Actually due to changes of strategies VGS have lot of investment in last few years compare to the revenues they are earning. This investment will grow up a good return when these investment can be utilize in promotional activities.

Recommendation: Vision Global School should use its wealth more carefully to earn profit and it should reduce administrative expenses and operating expenses such financial expense, Loss on intangible asset disposal.

OBJECTIVE 3 - EFFICIENCY RATIO

Fixed Asset Turnover (FAT)



FAT measures the extent to which a business is using its fixed assets effectively. For Vision Global School in 2017, the FAT is 0.68 times that means the company generated 0.68 times revenue by using its fixed assets. From 2015 to 2016 it increased to 0.56 from 0.056. And from 2016 to 2017 it increase to 0.68.



Total Asset Turnover (TAT):

FAT measures the extent to which a business is using its total assets effectively. For Vision Tutorial in 2017, the FAT is 0.68 times that means the company generated 0.68 times revenue by using its fixed assets. From 2015 to 2016 it increased to 0.56 from 0.056. And from 2016 to 2017 it increase to 0.68.

Findings: Here FAT and TAT almost same because it has very little amount of current asset. So fixed assets and total assets are almost the same. The efficiency ratio is better than compare to other ratios but still it is not up to the mark. It needs to be improved.

Recommendation: They should increase current assets and use its assets more efficiently.

LIMITATIONS OF ACCOUNTING RATIOS

Ratio analysis is very active technique of financial performance breakdown. On the other hand, it has some limits:

- **Fabricated Results if Based on Incorrect Accounting Figures:**

Accounting ratios may be true when the information is accurate. From time to time, the info of annual reports and financial statements is distressed by window dressing, i.e., showing position higher than what actually is.

For example, if inventory of stationeries and other goods values are more or depreciation non-current assets isn't charged or charge less, that will shows higher amount of profits and overstate financial position of non-current assets.



- **No Idea of Possible Activities in Upcoming days:**

Ratios show the analysis of the past financial statements; in order that they are historical documents. Now-a-days keeping in sight the complexities of the business, it's necessary to own a plan of the possible happenings in future.

- **Only One Method of Analysis:**

Ratio analysis is only one of the ways of analyzing and provides just a fraction of data required for decision-making. So, to possess a comprehensive analysis of financial statements, it should be used besides other methods of analysis.

- **No Collective Principles:**

For circumstances differ from concern to concern and the nature of each sector is different it is hard to untrained despondent a common standard for comparison because circumstances differ from concern to concern and the nature of each sector is dissimilar. For example, ROE of a business with of more than 2:1 may be enough to pay current liabilities. On other side, another business current ratio of 2:1 may be not enough to meet current liability for business type and other positions.

- **Different Meanings Assigned to the Same Span of Time:**

Different businesses, for computing ratio use diverse implications. For example, to calculate a ratio one business may use profit before interest and tax or tax or profit before tax however when interest or profit when tax and interest. It have a through influence on calculation of ratio and may leads to in the wrong finishes.



- **Ignores Qualitative Aspects:**

Accounting ratio only explores quantitative data. But qualitative indicators sometimes might surmount the quantitative aspects. The calculations derived from it under such circumstances may get distorted.

For example, bank loans might be granted on the basis of to a customer financial position, but the award of only finally depends on account receivable's character, morality, previous record and competence in management. (Keiso, Weygandt, & Warfield)

CONCLUSION

Financial Analysis is an analytical method to financiers or owners use to value businesses based on a study of commercial profitability and financial measures. And to ensure this we need to look at the general, qualitative indicators of a business. When used in combination with other methods, quantitative analysis could yield promising results and give enduring financiers an edge over time.

Ratio analysis is one way to make sense of these business data. Looking at ratios is more elaborate than simply paralleling different figures from the financial statement, income statement and cash flow statement.

In this report I discover that the total financial condition of Vision Global School is not satisfactory at all. Almost all the ratios are poor for its lower profit or loss due to high administrative and operating expense.

Even though ratio analysis has some restraints but still it is very essential to analyses financial situation for easy calculation and comparability.



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Abbreviation

VGS-Vision Global School

NPM- Net Profit Margin

ROE- Return on Equity

ROA- Return on Asset

NOM- Net Operating Margin

FAT- Fixed Asset Turnover

TAT- Total Asset Turnover