



**INTERNSHIP REPORT**  
**ON**  
**‘ANALYSIS OF FINANCIAL CONDITION OF**  
**SQUARE TOILETRIES LIMITED’**

**Submitted By**

**Lia Florance Rozario**

**ID: 13104036**

**BRAC Business School**

**BRAC University**

**Submitted To**

**Mahreen Mamoon**

**Assistant Professor**

**BRAC Business School**

**BRAC University**

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## **Letter of Transmittal**

1<sup>st</sup> August, 2017

To

Mahreen Mamoon

Assistant Professor

BRAC Business School

BRAC University.

**Subject: Submission of internship report on entitled ‘Analysis of Financial Condition of Square Toiletries Limited’.**

Dear Madam,

It is a great pleasure for me to submit my internship report to you on Square Toiletries Limited based on Accounts and Finance department. In this report, I have provided the details reflection of my learning throughout the internship program. I have tried my best to give the best synopsis of my learning throughout my report according to your instruction.

During my internship program, I have understood the activities of accounts and finance division. Not only that, I also get the chance to communicate with the different departments people and able to understand the corporate policies and culture.

I am really grateful to you for your kind supervision and guidance to complete my report. I hope that, this will be a worth reading to you and also hope you will appreciate the hard work and consider the minor inaccuracies.

Sincerely yours,

Lia Florance Rozario

ID: 13104036

BRAC Business School

## **Acknowledgement**

At the very beginning, I would like to show my gratitude to Almighty God for giving me the strength, patience and enthusiasm to complete the report of my internship program.

Secondly, I am really very grateful to my honorable academic supervisor Ms. Mahreen Mamoon for her kind supervision and help to prepare my report. Without her proper guidance and support I could not be able to complete to report in time and accurately.

Furthermore, I would like to give my thanks to my supervisor Mr. Golam Kibria, Director of Accounts and Finance in Square Toiletries Limited for his kind supervision and permission to use the necessary resources for preparing my report. Additionally I would like show my special gratitude to my direct supervisor Mr. Razzakul Haider, Executive, Accounts and Finance- for his proper guidance, patience to help me in the working sector. Without his supervision and guidance it was quite impossible to complete my internship as well.

Moreover I also really thankful to the senior managers and other executives and employee for their contribution throughout my internship program as well for completing my report.

Finally I am showing my appreciations to my family members, university faculty members, seniors and friends who really show their kind co-operation and help me to complete my report.

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## **Executive Summary**

The study is going to focus on the financial condition analysis of Square Toiletries Limited. The financial condition is analyzed through various types of ratio analysis like liquidity ratio, profitability ratio, activity ratio and solvency ratio. The report is organized in five chapters. The first chapter is the introduction part- containing the derivation, scope and rationale of the report. Then the second chapter is focusing on organizational overview which is focusing on the background of the organization, its products, SWOT analysis, Porter's Five Forces analysis as well the marketing strategy of the company. The third chapter is going to describe the job description of mine throughout the internship program. Later on, the chapter four is focusing on the main project part including the objective of the project, data analysis, findings, recommendation, and limitation. Literature review and methodology of the report is also discussing here. Finally the last chapter is the conclusion part of the report. Throughout all these chapters, different types of graphs and charts are using to fully visualize the actual financial position of Square Toiletries Limited.

# **Chapter-1**

## **Introduction**

### **1.1 Derivation of the report:**

Gaining knowledge and applying it accurately in practical life is the main challenging matter as well the purpose of internship program to make him or her ready for the practical life. The internship program is required for the completion of graduation of Bachelors in Business Administration in BRAC Business School. Internship program is a 12 week program after the completion of all required academic courses of BBA program. Throughout the internship program the students can realize actual working condition in an organization. As an internee I have worked in Accounts and Finance department (A&F) in Square Toiletries Limited. I could be able to see the real life activities in finance and accounts department. Additionally I have gotten the real life experience of corporate policy and culture. Not only that, this experience really helps me to identify my future plan for building a strong career in right direction.

The study is going to focus on the financial compliance of this report is based on the internship experience in Square. As an intern I specially worked in the audit department. In the report it has been expressed what I have learnt throughout the time.

This internship project was supervised and approved by the university supervisor Ms. Mahreen Mamoon the Assistant Professor of BRAC University. It was also associated by the organizational supervisor Mr. Golam Kibria, the Director of Accounts and Finance in Square Toiletries Limited as well by Mr. Razzakul Haider, Executive, Accounts and Finance, Square Toiletries Ltd.

**1.2 Rationale of the report:** This report is basically on the financial condition analysis of the company. Without understanding the financial condition, no organization can improve its productivity, profitability or efficiency. Thus, this report is really logical to find out the financial condition of the company.

**1.3 Scope of the report:** This project is focusing on the overall financial performance of Square Toiletries Limited. From my three months working experience, whatever I have learnt is providing here in a brief. The overall working process of accounts and finance department is also given here.

## 1.4 Organizational Overview

SQUARE Toiletries Ltd. initiated its journey in 1988 with a solitary item as a different division of SQUARE Pharmaceuticals. In 1994, SQUARE Toiletries Ltd. turned into a Private Limited Company. At present, STL is the nation's driving manufacturer of universal quality cosmetics and toiletries with more than 50 items. As of now, STL is Carrying out its creation in its two computerized plants at Rupsi and Pabna. Based on huge number of items, creation and packaging, STL has item particular machinery. STL utilizes crude materials from the widely commended providers like Dragoco, Firmeuich and so on. STL dependably performs universal standard production process which takes after the Good Manufacturing Practice (GMP).



## 1.5 Vision and mission of Square:

### Vision

Its vision is to identify the customers need and turns the need into product or service as well as to provide the best quality product and services at a reasonable price in a unique way.

### Mission:

- ❖ To treasure the customers feedback and understanding as a valuable asset of the organization as well to identify the consumers demand with quality product and satisfy them.
- ❖ Providing the outstanding quality product at a reasonable price. It is highly concerned to maintain the amiable environment for the employees to pursue their satisfaction.
- ❖ To sincerely respond the responsibility to government, society and environment. It also avoids the malpractices, unethical and corruptive behaviors.

## 1.6 Values and Principles:

Ensuring the welfare of the employees, customers and the society is the core value of Square Toiletries Limited (STL). Though it's a commercial organization, but it does not always focus on profit rather it tries its best to fulfill the demand of consumers and society. STL always focus on its core value in every step of its operation.

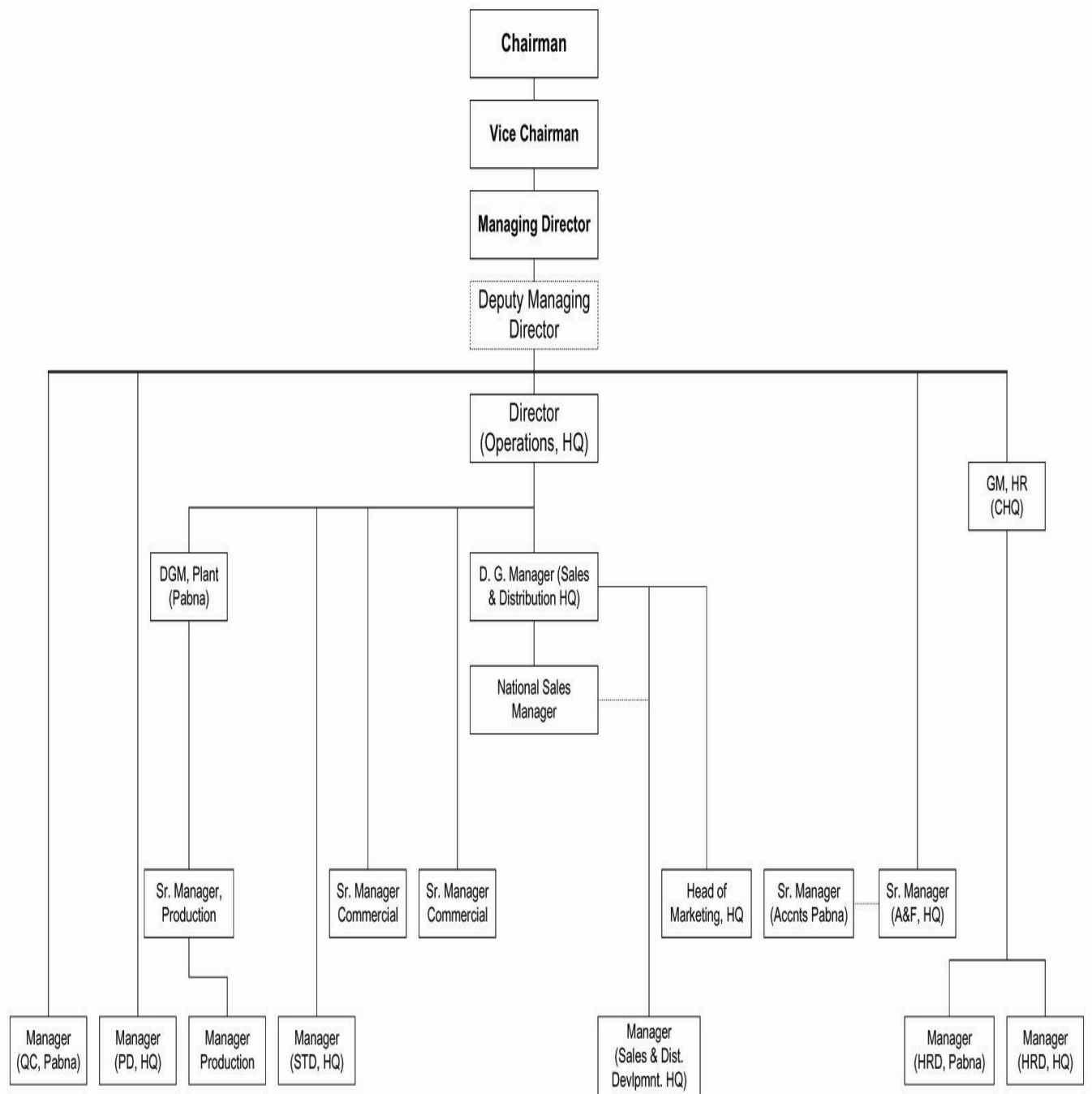
## 1.7 Products of Square Toiletries Limited:

The company has a broad and diversified product category. Meril, Revive, Senora, Jui, Cool, Chaka, Sepnil, Zerocal, Spring(air freshner), Shakti, White plus, Select Plus, Max Clean, Chamak, X-pel aerosol, Supermom baby diaper, Magic all these are the renowned brand of Square Toiletries Limited.



Figure 1: Products of Square Toiletries Limited

## 1.8 Organizational Structure:



**Figure 2: Hierarchy of the organization**

## 1.9 SWOT Analysis:

<b>Strength</b> <ul style="list-style-type: none"><li>• High brand value</li><li>• Quality of products is exceptional</li><li>• Manufacturing sector is highly automated</li><li>• World class technology is used in factory</li><li>• It has a great distribution channels throughout the country.</li><li>• Reasonable price of products.</li></ul>	<b>Weakness</b> <ul style="list-style-type: none"><li>• Lack of cross functional training</li><li>• Variation of products is limited</li><li>• Targeted customers do not aware about the products.</li><li>• Retailers are not satisfied with the company offering</li></ul>
<b>Opportunity</b> <ul style="list-style-type: none"><li>• Toiletries industry is highly profitable</li><li>• Demand of various types of toiletries products is increasing.</li><li>• Raw materials are available</li><li>• High chance to become multinational company</li><li>• Exporting opportunity</li><li>• Disposable income of people is increasing</li><li>• People are getting highly conscious about the best quality product.</li></ul>	<b>Threats</b> <ul style="list-style-type: none"><li>• Entry barrier is not there for new comers</li><li>• Many multinational companies are there in market</li><li>• People prefer foreign branded products rather than local companies products</li><li>• Increasing the cost of raw materials</li><li>• Competition increases</li></ul>

The company is in strong situation as its strength and opportunities are more than threats and weakness.

### 1.10 Porter's Five Forces Analysis:

This is an analysis of the competitiveness in an industry. It assesses the profitability chance and power of a company belonging to its own business strategy.

Forces	Intensity
Threat of New Entrants	Medium
Competitive Rivalry	High
Bargaining Power of Buyers	High
Bargaining Power of Suppliers	Medium
Threat of Substitute Products	Medium to high

- 1. Threat of New Entrants:** There is a chance for the new comers to move easily in toiletries industry.
  - **Economies of scale** - is an important matter for new comers. It is not possible to produce more products and reduce the production cost at the very beginning for the new comers.
  - **Switching cost** to other toiletries products is low. Thus the force is a bit weak in this case
  - In case of access to channels of distribution Square has a broad line of distribution. So, It will be difficult for the new comers to attain that much accessibility like Square Toiletries Limited.
- 2. Competitive Rivalry:** This force is a bit for Square Toiletries Limited.
  - **Number of Competitors:** There are many companies like- Kohinoor Chemicals, Keya Cosmetics, Sun Products, SC Johnson & Son etc. all are the strong competitor of Square Toiletries Limited.
  - **Characteristics of products:** The competitors also produce same type of products. Thus the rivalry is high.
  - **Exit barriers** are also intense as the assets, machineries etc will recur more cost for the organization.

- **Industry growth rate:** Industry growth rate is moving up. Therefore many people are interested to invest in this industry.
- 3. Bargaining Power of Buyers:** The buyers have the power to bring the price down. This force is a bit weak for STL.
- There are so many suppliers in market, thus buyers have more scope to buy products from others.
  - Changing cost to another supplier is also low. Hence the power of buyer is high.
- 4. Bargaining Power of Suppliers:** Square has a high brand values. Though there are so many competitors till its bargaining power is remaining medium not low. The product quality is reliable and making the buyers satisfied. So, bargaining power is medium for it.
- 5. Threat of Substitute Products:** The threat of substitute product is medium to high as there are some substitute products available in market for toiletries products. For instance- soap can be substituted by body wash gel, talcum powder can be substituted by arrowroot starch, deodorant powder or dusting powder. Therefore substitute's threat is high.

### 1.11 PESTEL Analysis:

This is an analysis of the factors of external environment which affects a lot in an organization. PESTEL stands for:

P= Political, E=Economical, S= Social, T= Technological, E= Environmental/ Ecological factor, L= Legal

**Political Factors:** Government policy, political stability, labor law, tax policy all these actually shake on the business of Square. Especially the overseas marketing policy and tax policy is highly effecting. Budget of 2017-2018 is increasing the vat, therefore this policy is highly alarming for profit making.

**Economic Factors:** Customers disposable income is increasing, so buying of toiletries products is growing up. Labor cost is not so high in Bangladesh, so there is advantage for STL. This company is contributing a lot in the GDP growth rate.

**Social Factors:** an organization is also effected by the socio cultural factors. Population is growing up and the demand for these products is increasing. People are becoming more conscious about quality product, age, career attitudes all these are boosting up the growth of STL.

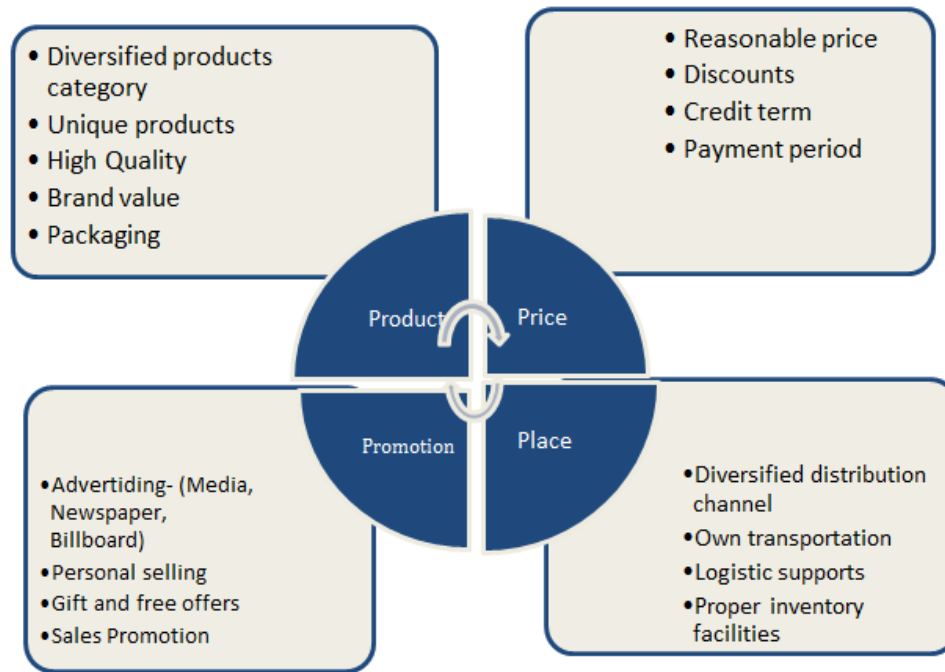
**Technological Factors:** automated manufacturing system, a different distribution channel and communication system, using social media for advertisement all these are creating positive impact upon the organization.

**Environmental / Economical Factors:** Recently the people are becoming more conscious about the environment which is negatively affected by the companies. STL is trying to mitigate the impact as much as possible.

**Legal Factors:** STL is mainly affected by the consumer law, health and safety law as well by the labor law.

From this PESTEL Analysis, it can be said that, the company is in a positive situation though there are some external pressure of environmental factors because of its strong brand power and great quality.

**1.12 Marketing Strategy:** Square Toiletries is following the Marketing Mix Model (4 ps) for turning its plan into practices.



**Figure 3: Marketing Strategy (4ps)**

- **Product:** It has a very diversifying category of product category even with the substituting products as well. the packaging is also very attracting and product quality is highly assured with brand value.
- **Price:** Products are very reasonable for all the customers. Sometimes discounts are given and the distributors are given special facilities for credit terms.
- **Place:** The products are distributed and placed in every nearby shops so that customers can get it very easily. It also has its own delivery system to ensure proper distribution of products
- **Promotion:** advertising in mass media, door to door selling, different gift offers are using for the promotion of the products.

This strategy is followed very effectively and efficiently to reach the products to the final consumer.

## **Chapter -2**

### **Job Description**

## 2.1 Major responsibilities or Job Description:

Accounts and finance department is divided into several parts for ensuring each and every sector's work accuracy. The divisions are – Financial Management, Cost Management, Managerial Accounting, Financial Accounting and Auditing.

As an intern I was apportioned in auditing section of accounts and finance department. In this department, my major responsibilities were:

- To check the fraud activities involved in different programs (winter and summer cards checking).
- Checking the target fulfillment of the distributors of the products.
- Input the target amount and card no of the distributors of different programs in database.
- Inspecting the distribution bills in different divisions along with the rate given through the policy.
- Reporting on the overall accuracy of the works related to financial parts of the organization.
- Different types of bill like- internet bill, overtime bill, mobile bill checking for assuring the accurate payments to the creditors.
- Not only the auditing activities, I also have done different sections work. Reporting on billboards number in different places, costs, renewal date, their problems and the actual outcomes.
- Worked with five types of vouchers- journal voucher, check voucher, bank received voucher, cash payment voucher and cash received voucher. Analyzing the transaction entity and along with the documents attached with these vouchers. Finding out the problems while doing the posting in ledger. Solving the problems under the supervision of the seniors.
- Worked on tax payment process.
- Participated in interview session of distributors and reporting on that.

**2.2 Learning from different types of work:** Square Toiletries Limited has given me a great opportunity to learn the official works in accounts and finance department. I have worked under the supervision of following seniors:

- Razzakul Haider: Executive, Accounts and Finance, Square Toiletries Limited.
- Razib Khan: Junior Executive, Accounts and Finance, Square Toiletries Limited
- Shankor Shaha: Senior Executive, Accounts and Finance, Square Toiletries Limited

They all helped me a lot while doing my works and show me the exact way to do the works efficiently. I never showed any bad behavior while I have done mistakes. They made my works very easy though the works were new to me.

I have learned the following matters from different types of work appointed for me:

### **Audited the winter cards of STL:**

There was a winter program for increasing the sales. Cards were provided to the distributor for three month program and they targeted the sales amount. Later on they send their cards along with the cash memos to the accounts and finance department. I had to check the cards invoice no, amount of money written in cards from the given invoices attached with cards. In that time I have seen that the distributors sometimes made false documents for showing their achievement. I have learned how to find out those wrong activities through this work.

### **Checking of bills:**

Different types of bills have to be checked through the audit department before actual payment occurs. I have learned the process of checking all these bills. Previously I had some queries how the organizations actually understand the bills are accurate. Now I get the knowledge of this process.

Name of Market	Pocket Market	Distance	Existing				Proposed (with new Market)			
			Fuel cost consider @ tk. 68.00				Fuel cost consider @ tk. 68.00			
			Existing				Proposed			
			3 M.Ton	840 feet	5 M.Ton	1100 feet	3 M.Ton	840 feet	5 M.Ton	1100 feet
Rangpur		245	7,725	8,525	9,800	10,225	7,725	8,525	9,800	10,225
Bogra	Free		Free	Free	Free	Free	Free	Free	Free	Free
Natore	Free		Free	Free	Free	Free	Free	Free	Free	Free
Shatibari	Free						Free	Free	Free	Free
Polashbari	Free						Free	Free	Free	Free
Gobindagonj	Free		Free	Free	Free	Free	Free	Free	Free	Free
Kashinathpur	Free		Free	Free	Free	Free	Free	Free	Free	Free
Ullahpara	Free		Free	Free	Free	Free	Free	Free	Free	Free
	Syedpur	40	2,400	2,400	2,400	2,400	2,400	2,400	2,400	2,400
	Lalmonirhat	45	2,400	2,400	2,400	2,400	2,400	2,400	2,400	2,400
	Kurigram	53	2,400	2,400	2,400	2,400	2,400	2,400	2,400	2,400

**Figure 4: Rate of distribution bills**

### General accounting activities:

I have worked with five different vouchers- journal vouchers, cheque voucher, bank received voucher, cash payment vouchers and cash receive voucher. I have earned practical knowledge; how a transaction finally effects on the ledger to final account. Not only that I have learned which documents are actually required for the transaction entry and how the expense are authorized from requisition to approval. Whenever I have identified any mistakes then I got to know how the problems are solved and finally lead to accurate final accounts. Additionally, I have understood the payment and receiving process by working in this part.

### Tax payment process:

The company has to pay an advance tax to government. Later on, the tax is deducted or adjusted when the selling is occurred. I have worked on how the tax is adjusted for payment.

B	C	D	F	G	H
<b>Square Consumer Products Ltd.</b>					
<b>VAT Current Account Statement</b>					
<b>Year 2016-2017</b>					
		Code: 140280		VAT ST Current A/C	
	DR		DR		
Month	Opening	VAT Amount	Deposit	Rebate	Statement Balance
Nov"2016	4,268,362	28,322,331	17,372,326	8,724,382	2,042,739
Dec"2016	2,042,739	28,034,622	23,000,000	9,276,756	6,284,873
Jan"2017	6,284,873	28,015,650	17,000,000	11,479,792	6,749,015
Feb-17	6,749,015	25,024,652	14,000,000	8,040,775	3,765,138
Mar-17	3,765,138	30,552,282	18,000,000	13,859,460	5,072,316
Apr-17	5,072,316	28,885,323	13,000,000	14,766,059	3,953,052
May-17	3,953,052				3,953,052
Jun-17	3,953,052				3,953,052
<b>Total</b>	<b>8,706,555</b>	<b>287,837,883</b>	<b>169,372,326</b>	<b>113,712,053</b>	<b>3,953,052</b>

Figure 5: Tax adjustment

**Interview Session:** I have learnt the process for the selection on the distributors. I have also realized what the interviewers expect from the candidate for being their distributors.

All these practical knowledge gain and application of my learning I have done throughout the internship program.

## **Chapter – 3**

### **Project Part**

### **3.1 Introduction of the project:**

The project is on financial condition analysis and auditing process of Square Toiletries Ltd. It actually focuses on the financial improvements throughout the years 2011-2016. It finds out whether the company is actually improving its financial condition and utilizes its resources efficiently or not. Additionally the second part of the report – the auditing process part actually focuses on the operating process audit and how it eventually contributes to the improvement of financial condition of the organization. The financial condition is analyzed through the ratio analysis. Throughout the project part, different types of ratio – return on asset, return on equity, net profit margin, asset turnover ratio, Earning per share, inventory turnover, and debt-equity ratio are analyzed. All these ratio analysis find out the performance of the organization comparing with the five years financial statements.

**3.2 Problem Statement:** As a sister concern of Square Group Square Toiletries Limited is creating a good image upon the consumers mind. But, in the highly competitive business environment STL has to face great difficulties and challenges to cope up with the situation. Through the research it is going to be found out the financial growth, improvement and stability of the company comparing with the 5 years data from financial statements (income statements, balance sheet). The auditing practice is highly responsible for maintaining the accuracy of the financial statements. Thus, the impact of auditing for proper financial improvement is also going to be analyzed throughout the report.

**3.3 Objective of the research:** to continue a profitable business at this present competitive business world, maintaining a proper financial condition is very urgent .So that, analyzing financial condition and comparing it with previous years as well with the competitors is mandatory to understand its condition. Throughout the report, it is analyzed deeply to find out its financial stability to cope up in this present business world.

This research has some specific and generalized objectives.

#### **a. Specific objective:**

- It will explore the financial condition of the company comparing with the previous 5 years condition

- To find out the lacking of utilizing resources through this analysis.
- Giving some appropriate recommendation for the organization.

**b. Generalized objective:**

- From the specific objective, the actual outcome will be visible. Later on the necessary steps to correct the lacking and to improve the inefficient sector will be taken.
- Maintaining proper documents and taking proper decision of financial sectors will be improved based on the comments from the ratios.
- Maintaining accuracy throughout the whole organization.

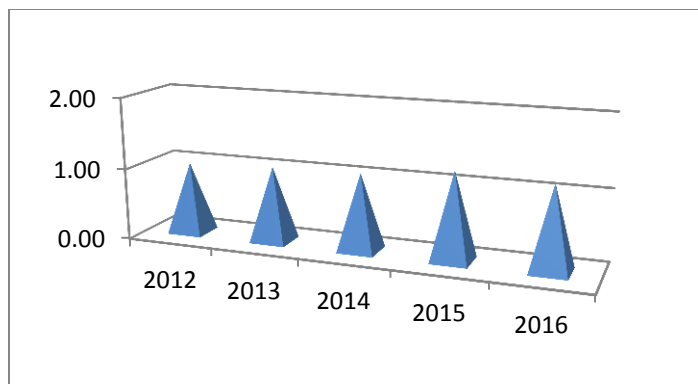
**3.4 Financial Condition Analysis:**

Ratio analysis is the process of identifying the financial condition of any organization. It is basically a historical data analysis. The following types of ratios are analyzing here:

**3.4.1: Liquidity Ratio analysis:** This ratio finds out whether the company is eligible to to convert its current assets into cash to pay to the obligation.

**Current Ratio:** It is the most common ratio of liquidity ratio. It finds whether the company is able to pay its short term loans and bills. The higher the ratio the condition is good of that company.

Current ratio = Current asset/ Current liabilities



Year	2012	2013	2014	2015	2016
Ratio	1.00	1.05	1.08	1.22	1.17

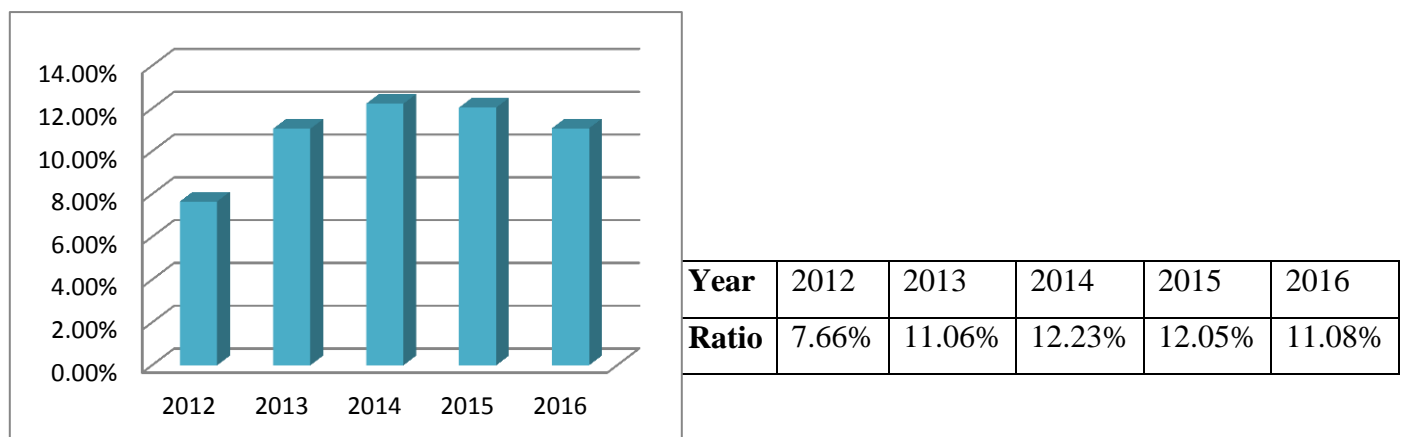
**Figure 6: Current Ratio**

Current ratio should not be under value 1. The company is maintaining more than 1 value that means it has the capacity to pay its obligation as early as possible. The capacity is also in an upward condition from 2012-2015. But in 2016 it became a bit lower as the current assets were decreased in that year.

**3.4.2. Profitability ratio:** This ratio measures how profitable the business is comparing with other years and competitors.

**Return on Asset (ROA):** This ratio finds out how efficiently a company is using its assets to earn more profit.

$$\text{ROA} = \text{Net Income} / \text{Average total assets}$$

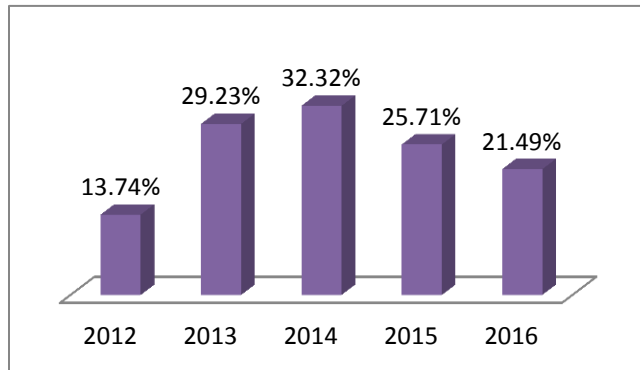


**Figure 7: Return on Assets**

In 2014 the company was highly efficient to utilize its assets to earn more profit. Later on the rate was decreasing again which shows the inefficiency of the company.

**Return on Equity (ROE):** It shows the profitability of the investors' investment.

$$\text{ROE} = \text{Annual Net Income} / \text{Average Stockholders' Equity}$$

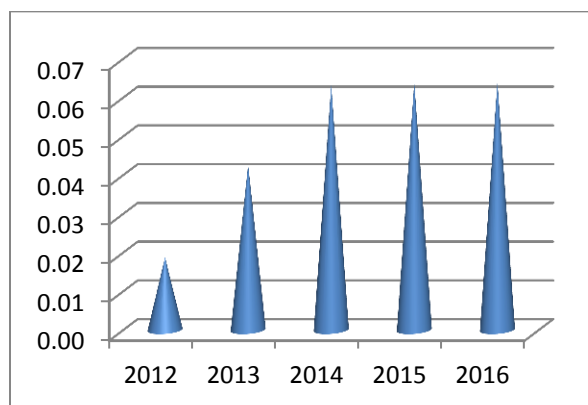


Year	2012	2013	2014	2015	2016
Ratio		29.23%	32.32%	25.71%	21.49%

**Figure 8: Return on Equity**

**Net Profit Margin (NPM):** It is the proportion of net benefits comparing with its sales for an organization or business segment.

$$\text{Profit Margin Ratio} = \frac{\text{Net Income}}{\text{Net Sales}}$$



Year	2012	2013	2014	2015	2016
Ratio	0.02	0.04	0.06	0.06	0.06

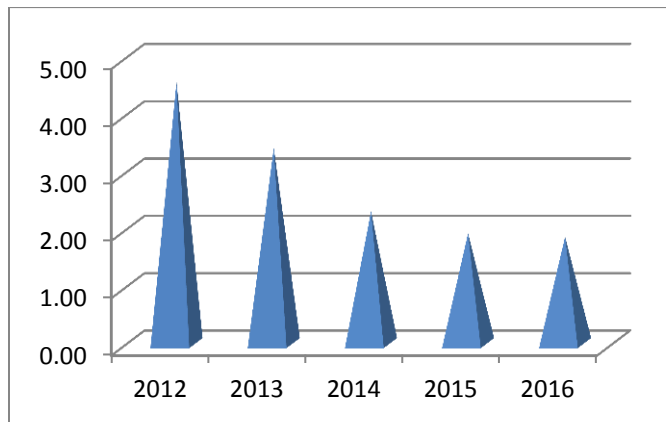
**Figure 9: Net Profit Margin**

The company is facing the static profit margin from 2014-2016 though it increased from 2012-2013.

### 3.4.3. Activity Ratio

**Assets Turnover:** This ratio is the indicator of the efficiency of the company whether it can utilizes its assets properly to increase its sales or revenue or not.

Asset Turnover = Sales or Revenues / Average Assets



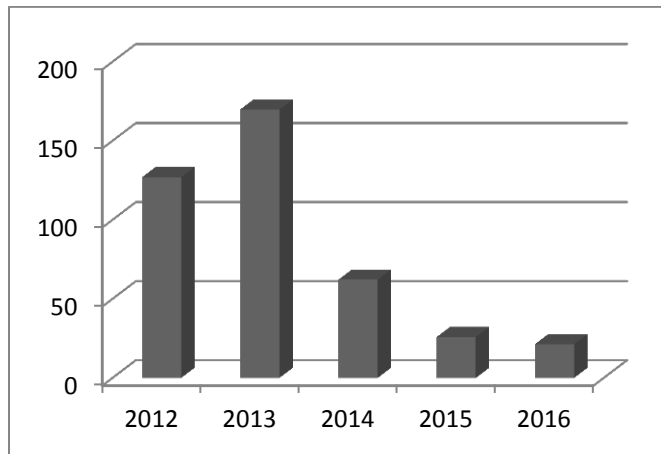
Year	2012	2013	2014	2015	2016
Ratio	4.56	3.41	2.30	1.92	1.86

Figure 10: Asset Turnover

From the analysis it is visible that ratio is in a decreased from.

**Working Capital Turnover:** It measures how efficiently the company is utilizing its working capital and making more revenue.

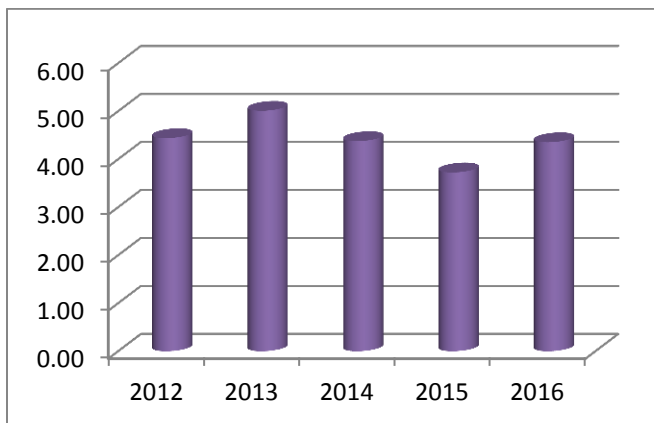
$$\begin{aligned} \text{Working Capital Turnover Ratio} &= \frac{\text{Revenue}}{\text{Average Working Capital}} \\ \text{Working Capital} &= \text{Current Assets} - \text{Current Liabilities} \\ \text{Average Working Capital} &= \frac{\text{Opening Working Capital} + \text{Closing Working Capital}}{2} \end{aligned}$$



**Figure 11: Working Capital Turnover**

The working capital turnover is in reducing form which means the company is not properly managing its working capital.

**Inventory Turnover Ratio:** It is an effectiveness proportion which figures the quantity of times per period a business offers and replaces its whole group of inventories.



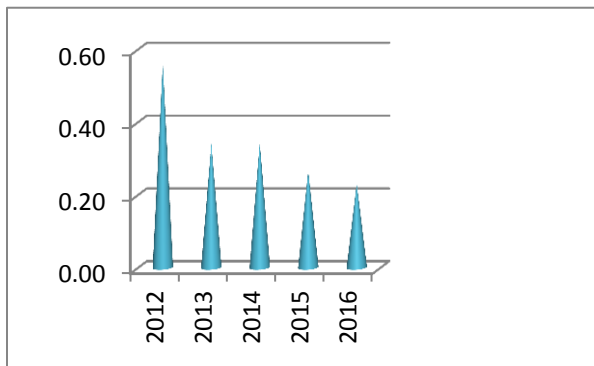
**Figure 12: Inventory Turnover**

This graph shows that inventories are not replace very efficiently.

### 3.4.4 Solvency Ratio:

**Debt to asset ratio:** It finds out the proportion of debt relative to its assets. The higher the ratio, it means the result will lead to financial risk for the company.

$$\text{Total Debt To Total Assets} = \frac{\text{Short Term Debt} + \text{Long Term Debt}}{\text{Total Assets}}$$



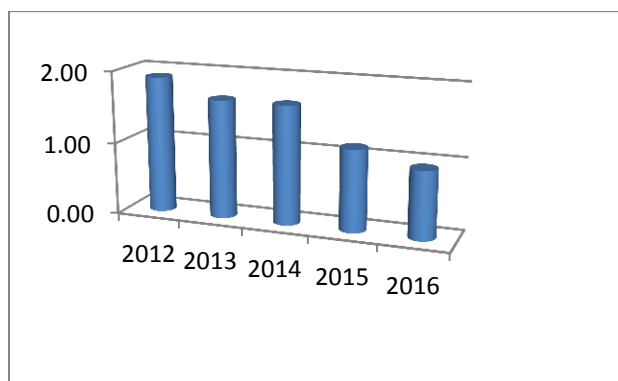
Year	2012	2013	2014	2015	2016
Ratio	0.56	0.34	0.34	0.27	0.23

Figure 13: Debt to Asset Ratio

From the graph it is visible that the company is in less financial risk.

**Debt to Equity:** The D/E proportion shows how much debt one organization is utilizing to fund its assets with respect to the measure of shareholders equity.

$$\text{Debt to Equity Ratio} = \frac{\text{Total Liabilities}}{\text{Total Equity}}$$



Year	2012	2013	2014	2015	2016
Ratio	1.90	1.64	1.64	1.13	0.94

Figure 14: Debt to Equity

As the ratio is decreasing and finally it is less than 1, thus the condition is good.

### 3.5 Findings:

From the data analysis part the following outcomes are visible:

- Liquidity ratio talks about the company's capacity to pay for its short term liabilities. STL has a good command over liquidity ratio as the current ratio is in an increasing form. It means the company is highly able to pay for its short term loan and bills as early as possible.
- The profitability ratios provide the information that the company is little profitable in continuing its business. Return on asset is showing that from 2012, the ratio is in increasing form in 2013-2014. Later on in 2015-2016 it reduced due to the great increase of total assets comparing with previous years. Return on Equity is in decreasing form which means though the company is making more profit than previous years but it cannot utilize the money of investors as it required.
- Higher the asset turnover, higher the financial condition of that company. From the asset turnover ratio of STL in the years 2012-2016, it is visible that the company is not in strong situation to utilize its assets to generate more sales.
- Debt to asset ratio is showing that the company has less financial risk as the ratio is in decreasing arrangement in 2012-2016. It means the debts are not making huge financial risk. STL does not take any long term loan rather it has only short term loan. Thus the company is in good phase in case of financial risk.
- A high debt/equity ratio normally means that a company has been violent in funding its growth with debt. Here in Return on Equity ratio it has been find out that the company is in decreasing form of taking loan. That is a good sign for the company that the ratio is going down and it means the company is not highly depending on outsource financing. As a result the interest expense is low there which is also good for increasing the net income.
- Net Profit margin is highly required to find out the profitability condition comparing with the competitors in the industry. Net profit margin shows that it is in a static situation in the years 2014-2016. It means the company cannot make more profit throughout the years. It also shows the reduction in sales of the organization.

- An advanced working capital turnover ratio is good for the company. It means that the company is operating its working capital more proficiently and making further revenue by means of using a lesser amount of investment.

The working capital turnover is decreased in a huge form which means the company is not be able to utilize its working capital more efficiently to generate more revenue.

- The inventory turnover ratio needs to be higher which shows that the operation is running efficiently of the company. The inventory turnover is not in a satisfied condition. It is in decreased form which means the company is not able to replace its inventories efficiently.

### 3.6 Recommendation:

As the company has some lacking in some specific ratios, therefore some necessary recommendation to improve its financial condition is discussing here:

- The company is increasing its total assets from 2012-2016. Comparing with its revenue and net income, it is not utilizing those assets too efficiently. The organization ought to examine how the advantages are utilized and approaches to enhance the efficiency of every asset. The output should increment with no huge increment in some other costs. So the authority should focus more on assets utilization to generate more revenue from these.
- For proper utilization of assets it should produce more products with the existing machineries and properly use the human capacity. Rather than buying new assets it should utilize the existing assets more. Purchasing limited raw materials and increasing sales will ensure the utilization of assets accurately.
- For improving the net profit margin the company must have to focus more on the increment of sales. Net profit will increase if the gross profit increases and the other expenses like – cost of raw materials, production cost, labor cost etc. will decrease. Additionally, if the company takes some steps to grab new customers, remove the unprofitable products as well reducing the inventory cost the net profit margin will be improved.
- Higher working capital is good for the company whereas it has the decreasing rate of working capital. Therefore the company must have to increase its sales revenue for effective and efficient utilization of working capital. Moreover the company should also focus more on collection from receivables. Managing inventory properly, monitoring the accounts receivable and payment process in automated system, giving early payment inducements all these will be helpful for the company to improve the working capital turnover.
- As the inventory turnover ratio is not so good, therefore the company should increase its sales. For this the marketing team must have to work more efficiently, making the distributors point in huge number, targeting the appropriate customers and making the products very unique. The product price should also be very appropriate along with the quality. All these will help to improve the sales revenue and finally improve the

inventory turnover ratio. By keeping the appropriate and necessary safety stock, increasing the inventory turnover is very important to maintain the operations efficiently.

### 3.7 Literature review:

Ratio analysis is a quantitative method which is used for the analysis of the financial statements of an organization. The primary origin of ratio analysis was Euclid's arduous analysis of the properties of ratios in his book V of his Elements in about 300 B.C. Presently this ratio is considering as a tool of financial statement analysis (Horrigan,1968). In this journal it has also mentioned that in the last half of 19<sup>th</sup> century, the first cause of financial statement analysis drawn back to the last stage of America's drive. According to it, as the management of enterprises of different industries transferred from enterprising capitalists to the professional manager as well the financial sector became more efficient and professional, the necessity of financial ratios became intense.

According to a report named 'A Review of the Theoretical and Empirical Basis of Financial Ratio Analysis' It is watched that it is run of the mill of money related proportion examination explore that there are a few out of the blue unmistakable lines with investigate customs of their own. A typical component of the considerable number of ranges of money related proportion examination investigate is by all accounts that while critical regularities can be watched, they are not really stable over the diverse proportions, businesses, and eras. This leaves much space for the advancement of a more powerful hypothetical premise and for facilitating exact research (Salmi and Martikainen ,1994)

Ratio analysis is a tool for understanding the reasons of progress or failure of an organization. A journal article titled 'An Empirical Test of Financial Ratio Analysis for Small Business Failure Prediction' has focused on - tests on various strategies for examining budgetary proportions to predict the reasons of failure of companies. (Edmister, 2009).

A journal article named Financial Ratios, Discriminant Analysis And The Prediction of Corporate Bankruptcy said that it is obviously a highly recommended technique to find out the performance of corporate level performance ( Altman,1968). This article also expresses that, generally, ratios measure profitability, liquidity, and solvency conquered as the most significant

pointers. The importance of their significance is not clear since practically every examination referred to an alternate proportion similar to the best sign of approaching issues.

### 3.8 Research Limitation:

- The data provided in primary data source is based on overall assumption by the superiors. As the internal information is very restricted to publish, thus collection of those data is very difficult.
- It was very difficult to bring out the actual financial outcome from the analysis due to the limitation of word.
- Authenticity problem of the data collected from websites.
- Publication of annual report is restricted only in balance sheet and income statement. Thus it was not possible to find out the accurate information in every phase of the report.

### 3.9 Methodology:

Methodology is the precise, hypothetical examination of the strategies connected to a field of study. It involves the hypothetical examination of the accumulation of strategies and standards related with a branch of learning. Ordinarily, it incorporates ideas, for example, worldview, hypothetical model, stages and quantitative or qualitative method.

This project topic is actually finding out the quantitative data to come with a recommendation for the organization. I have gone through the quantitative analysis as ratio analysis is based on quantitative data for comments and recommendation. It is also an observational data analysis process.

For doing research on this topic, I have used two types of sources for collecting the necessary information. The sources are:

- ✓ **Primary data:** Data which are collected direct from the actual sources for the first time is known as primary data. For collecting the information, I have talked with the Director and Senior Manager of Square Toiletries Limited. The Senior Manager provided me all the necessary information specially the quantitative data I needed for doing the ratio analysis.

I have also talked with my direct supervisor in Square for getting some recommendation about which ratios actually provide the accurate outcome of financial condition to complete the report.

✓ **Secondary data:** Data which are collected from the previous reports or publications, known as secondary. For doing my research, I have collected data from secondary sources as well. I have gone through:

- Company websites
- Financial reports of Square Toiletries Limited
- Previous reports from online
- Different types of information provided in online
- Important documents provided by the seniors

These two sources provide all the necessary data to do the project.

### 3.10 Conclusion

Square Toiletries Limited (STL) is one of the largest First Moving Consumer Goods (FMCG) Company in toiletries industry which has very good brand position upon the mind of the customers. It is the manufacturer of different types of cosmetics, toiletries product. The company has a turnover rate of USD 110 million. It is producing various kinds of segmented product like- oral care, hygiene product, textile product, hair care product, After fulfilling the demand of the customers of own country, Square toiletries is also exporting its complete products outside the country. It is exporting its products in 13 countries like- UAE, Germany, Australia, Malaysia, UK etc. It has approximately ten thousand employees who are really hard working and also satisfied to work in this organization. Their hard work and huge contribution make the company a well reputed one not only in Bangladesh but also in the foreign places as well.

From the overall analysis of Square Toiletries Limited, it can be concluded that the company is obviously a renowned manufacturer of toiletries product in Bangladesh. It is following the accrual basis accounting for the effective management of its sales. All the documents of the transaction are properly recorded and documented only for maintaining the accuracy and accountability. Additionally the internal audit is highly responsible for maintaining the accuracy of each and every transaction in the organization.

At present time, there are so many manufacturers of toiletries product in Bangladesh. As a result the competition is intense in this sector which actually decreases the growth of the organization. Not only the domestic companies, but also the entrance of multinational companies in Bangladesh is highly responsible for the decreased growth rate of STL. Still the company is in a profitable condition due to its quality and brand value. To identify the actual financial condition rather than using qualitative data the report is based on the quantitative data analysis and finally coming out with proper financial situation of the company.

The financial conditional shows that the company is highly capable to pay off its liabilities after going through the liquidity ratios. The profitability ratios bring out that the company is making a static profit and facing challenges to increase sales and making more revenue. Hence the company should focus more on increasing the sales and revenue for maximum utilization of its assets and investment from its investors. According to the activity ratios, the company is not being able to utilize its increases assets to generate more revenue due to the hyper competition

existing in the market. On the other hand, the company's solvency ratio is in a very good format. Because of the decreasing form of debt to equity ratio and debt to asset ratio, the company has less financial risk. Thus the company's solvency condition is very good.

Finally it can be said that, Square Toiletries Limited is facing a decreased growth rate due to the agitated competition in the market. By improving the sales, promotional activities, asset management capacity the company can very efficiently run its business in the era of the competition.

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QC: Quality Control (Page-7)

ROA: Return on Asset (Page-21)

ROE: Return on Equity (Page -22)

STL: Square Toiletries Limited (Page -6)

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