



RESEARCH ARTICLE

ROLE OF FINANCE AND ACCOUNTS BOTH: TO STUDY FINANCIAL PERFORMANCE OF BUSINESS

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ABSTRACT

As per the previous research scholars finance and accounts both are technically different subjects but in my research paper we tried to present that both subjects are interrelated to each other. As per our study finance teach us about the concept whereas accounts teach us about the methodology. For example Ratio analysis, Cash flow budget, Trend analysis all these techniques help in studying the financial performance of any company, and all these techniques include both accounting and financial techniques together. One similarity among both the subjects is that both are related to monetary value non- monetary values are not treated under financial or accounting transactions. Though various research had been conducted related to finance and accounts relationship and comparison but in this research, we will show the interrelationship between both the subjects and their significance in enhancing the practical knowledge of an individual.

INTRODUCTION

Accounting activities plays a pivot role in studying the financial performance of all private sector, public sector and non- profit sector. All business concerns for analyzing their future growth have to study about the current financial status of the business in the market so that they can take better investment decision. Choosing best investment alternative is the hardest task for any individual. But financial knowledge will help them in the selection of investment alternative through various financial analysis. So as per the information on one side where accounting helps in analyzing the financial status of the business, on the other side finance helps in taking corrective actions to reduce the losses if any as per the financial analysis.

Correlation of accounting and finance

Financial statements present the financial standing of the company. It shows what the company did with the money, was the company successful in making use of the money, was the company successful in making use of the money and the rest of the company's history and status of the finances of the business. It is necessary to evaluate the "Economic net worth" of the company so that in future any decisions related to merger, expansion and even liquidation have to be taken then on the basis of corporate valuation we can do it easily.

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There are various Financial accounting techniques through which we will be able to do the analysis the company accurately which are as follows:

- Ratio analysis
- Cash flow budget
- Comparative balance sheet
- Trend analysis'
- Income and investment statement

All these methods are used in both finance and accounts subjects to analyze the performance of the company. For example, cash flow budget, In accounts we prepare cash flow statement to find out the total expenses and incomes of the company where as in cash budget we will try to find out the total receipts and payments of the company but at the end the main concept is to find the opening balance of cash available with the company after paying off all the liabilities.

Importance of finance and accounts in Business Management

Finance and accounts both plays a existential role in controlling and managing the business. Without finance we can't even manage the money and without accounts we can't be able to manage the cash inflows and outflows of the company. There is one famous line "If we can't count we can't manage" so both subjects are holding their own importance in managing their business. Some of the importance are explained below:

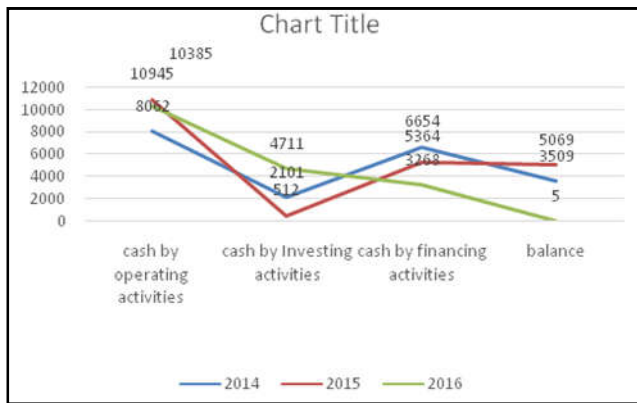


Figure 3. Graph showing the details of cash receipts and payments

Table 5. Study of company current assets and liabilities position through Ratio analysis

Particulars	2014	2015	2016
Current ratio	1.02	1.24	1.28
Quick ratio	0.81	0.89	0.98
Financial leverage	3.04	3.53	3.78
Debt/equity	0.63	1.11	1.29

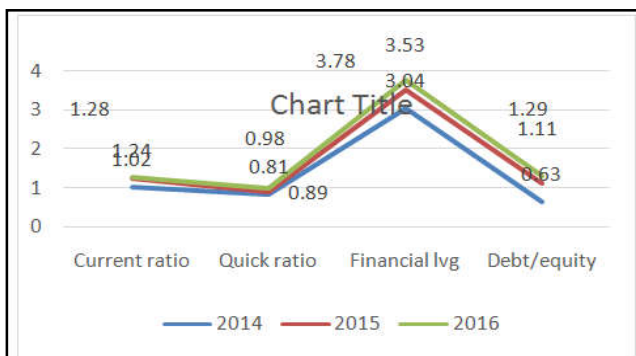


Figure 4. Graph showing the position of ratios in company to interpret financial health

Interpretation

As per the graph current ratio of the company is at the acceptable range which is 2:1 which shows that company is very much financially strong, as far as quick ratio is concerned all years it is more than 0.5 which is acceptable same with the case with debt/equity ratio but if we see financial leverage the ratio of equity is same in all three years but the ratio of debt is changing every year which is not suitable for future growth.

Trend analysis of the income statement of Coca-Cola company

Table 6. Income statement of Coca-Cola company

Particulars(in \$)	2014	2015	change	Inc/dec%
Net sales	35119	30990	4129	13.3%
Cost of goods sold	12693	11088	1605	14.5%
Gross margin	22426	19902	2524	12.7%
Selling&admin expenses	13158	11358	1800	15.8%
operating exp	819	313	506	161.7%
Operating income	8499	8231	218	2.6%
Interest expense	733	355	378	106.5%
Other income	6477	988	5489	555.6%
Income before tax	14193	8894	5329	60.1%
Income tax	2384	2040	344	16.9%
Net income	11809	6824	4895	73.1%

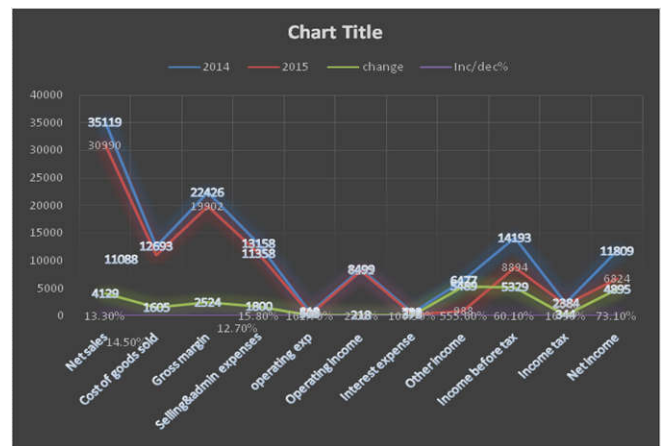


Figure 5. Graph showing trend analysis of Income statement Interpretation

As per the income statement we had done the trend analysis by taking 2014 as a base year which shows the overall position of the company. The total change in the net income of the company is only 73.1% which is lower than interest expense. Overall average income of the company after paying off all the tax and expense is lower than 2014 but as company is able to pay off the liabilities so future growth are more for the company.

FINDINGS OF THE STUDY

- Finance is a broader concept whereas accounts is methodology
- Both finance and accounts are interrelated to each other
- Current ratio and quick ratio of the company is stable that is 1.28 and 0.98 in 2016
- Trend analysis shows that net income in 2015 is at decreasing rate that is 73.1%
- Accounting techniques help in studying the systematic way for maintaining transactions
- Finance help in analyzing the statements and taking relevant decision

Recommendations/Suggestions

- As per the study I think that both finance and accounts are interrelated so we can't tolerate the importance any one of them on one side finance is necessary for understanding the concept accounting is necessary for implementing those concepts
- As per the analysis we had done we found that it is easy to study the financial health of the company if we are implementing both financial and accounting techniques like ratio analysis, cash flow budget and trend analysis we will get very much accurate results
- Although finance and accounts are different subjects but still they are closely related and dependent on each other. Finance is a broader concept but still for finding the accurate financial status and future growth of the company accounting techniques are useful.

Conclusion

According to my study and analysis we had done we concluded that both accounting and finance are two sides of a coin. Understanding finance will be very much easy if implement accounting techniques for example to take an investment decision is a financial but to fulfill this task we

need all accounting techniques. In this research paper we took the help of coca cola company data to prove that how accounting techniques are helping in taking all types of financial decisions. At last we can say that although both are different subjects but concept wise they both are interrelated to each other and both are necessary to analyze the financial status of any company In this paper we have put all our endeavour ot prove my studies.

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