Assessment of Financial Performance of Construction Companies

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Abstract- *The scope of this Project is to discuss the financial management of a construction project. This paper attempts to approach this subject in a logical and systematic way. It gives the importance of financial analysis and planning together with cash planning. This report does not intended to be an all-inclusive discussion of financial management in construction. The research is undertaken to discussthe effect of financial management how much effective financial management is necessary for construction project and overall which factor are mostly affect the financial status of the project and where we have to be more alert to maintain the financial status in the construction industry. Whereas to calculate the study of expertise present in construction industry which are locally interviewed.*

I. INTRODUCTION

Finance may be defined as the art and science of managing money. It is also field that deal with the study of investment. The major areas of finance are financial services & managerial finance which is also known as financial management. Financial services is concerned with the design and delivery of financial products to individuals, businesses, and governments within the areas of banking, financial planning, investments, real estate, insurance etc. Financial management is concerned with the duties of the financial manager's activity that manages the financial affairs of any type of business, which are financial and non-financial, privet and public, large and small, profit seeking and not for profit seeking firm. Financial services perform such different tasks as budgeting, financial forecasting, credit administration, cash management, investment analysis. It result, the financial management function has become more demanding and complex in managing construction projects.

The approach was mainly descriptive and institutional. The instruments of financing, the institutions and procedures used in capital markets, and the legal aspects of financial events formed the core of financial management.

The outsider points of view were dominant. Financial management was viewed mainly from the point of the instrument bankers, lenders, and the outside interest.

Financial management is the vital factor in the development of any construction company in any sector. The companies related to construction sector have many factors both external and internal that influence the growth of the company. The external factors like interest rate, inflation rate, demand supply ratio in the market, changes in laws and regulations by the government in terms of land taxes etc. the internal factors like the performance of the management of the company, policies adopted, decision making etc. all these factors have great impact on the company's growth. In order to have control on all the components of the company management needs a tool is ratio analysis

II. LITERATURE REVIEW

2.2.1 Gaurav R. Desai, A. M. Joshi.et.al.[1]Financial analysis is useful for every business entity to enhance their performance, competitive strength and access their stability and profitability of the firm. It is the process of identifying of the firm. It is the process of identifying the financial strengths and loss account. Ratio analysis is the most powerful tool of financial analysis. The ratio analysis of two companies is done by establishing relationship between the different items of financial statements.[1]

2.2.2 Prof. Mr.S.Sabarinathan, Ms.V.Jenifer et.al.[2]The Ratio analysis is the process of identifying the financial soundness and cost effectiveness of the firm by establishing relationship between the items of balance sheet and profit and loss a/c. [2]

2.2.3 Prof. Vijay S Patel, Prof. Chandresh B. Mehta et.al.[3]The Financial Statements are generally prepared for the measurement of financial position of a particular company for a particular period of time. The financial statements i.e. Profit and loss statement , Balance sheet provide useful information regarding financial situation of company. The information has its own value, but if someone wants to have better judgment of the concern, he has to analyze them. [3]

2.2.4 Florenz C. Tugas, et.al.[4]Most financial statement analyses focus on firms belonging to industries that either contribute significantly to economic figures or posit in a highly competitive business environment. Whatever the motivation may be, financial statement analysis should be made available to all industries for reasons of comparability and benchmarking. [4]

2.2.5 Robert W. Smith and Thomas D. Lynch et.al.[5] Ratio is any strategic or tactical advantage, and as a verb, means to exploit such an advantage, just as the use of a physical lever gives one an advantage in the physical sense. Ratio is a very popular business term .In the world of finance, Ratio is the use of borrowed money to make an investment and the return on an investment. [5]

III. SCOPE OF WORK

Financial management provides a analytical and conceptual framework for financial decision making. The finance function covers acquisitions of funds and their allocations. Thus apart from the issues in acquiring external funds, the main concern of financial management is the efficient and wise allocation of funds to various uses. In broad sense, it is viewed as an integral part of overall management.

1. *It can be used compare the risk and return relationship of company of different sizes.*
2. *It is also defined as the systematic use of ratio to interpret the financial statement so that the strength and weakness of a company and its historical performance as well as current financial condition can be determined.*
3. *It can be make better investment and credit decision.*
4. *It can be help of shareholder to evaluate the company profitability.*

It can be help to highlighted factor which is responsible to financial affairs.

Objectives

1. To Study the construction financial management of various construction companies.
2. To evaluate & analyze the balance sheet of the selective construction companies to determine and calculate the various financial ratios using ratio analysis.
3. To compare the financial position of construction firm for long term as well as short term perspective.
4. To provide suggestions for improving the overall finance performance of the selective construction companies.

IV. RESERCH METHODOLOGY

Following research methodology is used to achieve defined objective at the beginning of project.

1) Define the objective

Clearly determining the objective of paper and its exact requirement.

2) Collection of Data

Collecting the balance sheets, profit loss statements, income statements and other secondary data of the construction companies of past three year.

3) Background Study

Studying the, balance sheets, annual reports, profit loss statements, and income statements etc. Of the construction companies of past three year.

4) Calculation ratios

Calculating the various ratios from the data collected using ratio analysis.

5) Interpretation of result

From the analysis interpreting the results and performance of the companies.

6) Comparison of the results

Comparing and a analysing the performance of the selective construction companies of previous three years and from that predicting their performance for the defined future perspective.

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