

Project Guidelines

A. Points to be kept in mind while preparing the Accountancy Project for Grade - 12

1. Always try to choose interesting accountancy project topics.
2. Always keep your pro short and precise. Add content related to your project topic only.
3. Try to Add Diagrammatic/Graphic Presentation. Add Diagrams, Pie-Charts, Bar Charts, and Graphs (If possible)
4. If you have any doubts, ask your project guide for project guidelines.
5. Submit your project report on time.

B. Important points that should be included in the project.

1. Title of the project
2. Problem being discussed in the project
3. The main reason for selecting this project topic
4. Literature Review
5. The objective of the project
6. Scope of the project
7. Limitations of the project
8. Working methodology of project
9. Acknowledgement
10. Preface
11. Contents of the project
12. Observations and findings
13. Conclusion
14. References (reference books, journals, magazines, websites, etc.)

C. Steps to be kept in mind while writing the project

1. Identifying the Project Statement
2. Setting the Project Objective and Scope of the Project
3. Defining the Project Tasks and Responsibilities (Creating the Work Flow Structure)
4. Monitoring the Project and Finding the Important Resources Required

D. Here is a sample project with detailed essential points to be kept in mind while creating your project.

Accountancy Project - Class 12 PROJECT WORK (____ YEAR)

NAME OF THE SCHOOL : _____
NAME OF THE STUDENT : _____
CLASS : _____
CBSE ROLL NUMBER : _____
ACADEMIC YEAR : _____
TEACHER IN CHARGE : _____

ACKNOWLEDGEMENT

I would like to convey my sincere thanks to (teacher's name), my accountancy teacher, who always gave me valuable suggestions and guidance during the project. She/he has a source of inspiration and helped me understand and remember important details of the project. She/he gave me an amazing opportunity to do this wonderful project '(name of the project)'.

I also thank my parents and friends for their help and support in finalising this project within the limited time frame.

Place : _____
Date : _____

Name : _____
Signature : _____

CERTIFICATE BY GUIDE

This is to certify that _____ (name of the student) of class XII of _____ (name of the school), _____ (name of the state) has completed his/her project file under my guidance. He/she has taken proper care and shown the utmost sincerity in completing this project.

I certify that this project is up to my expectations and as per the guidelines issued by CBSE.

(Name of the faculty)
(Commerce Department)

(Signature)

CERTIFICATE BY STUDENT

I _____ (name of the student), student of class XII of _____ (name of the school),
_____ (name of the state) hereby certify that the project was undertaken by me as per
the CBSE curriculum. I take it to be authentic and reliable.

_____ (Name of the student)

_____ (Signature)

_____ (Roll number)



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	(a) Liquidity Ratios (i) Current Ratio (ii) Quick Ratio	
	(b) Profitability Ratio (i) Net Profit Ratio (ii) Return on Total Assets (iii) Return on Capital Employed	
	(c) Activity or Turnover Ratio (i) Inventory Turnover Ratio (ii) Fixed Assets Turnover Ratio (iii) Current Assets Turnover Ratio (iv) Total Assets Turnover Ratio	
	(d) Financial Ratios (i) Debt to Equity Ratio (ii) Fixed Assets to Long-term Funds Ratio (iii) Proprietor's Ratio	
2.	Comments	

PROJECT - 02
SPECIFIC PROJECT
 (Name of the project)

Information and Data for the Project:

I have selected two companies namely Nayan Ltd. and Nutan Ltd. They do a similar business in a similar business environment and they are similar in size also. I have found them to be comparable and therefore, have selected them.

Question:

The data is extracted from their annual financial statements of Nayan Ltd. and Nutan Ltd. The data is for the financial year 2019 - 2020.

Particulars	Nayan Ltd. (₹)	Nutan Ltd. (₹)
Revenue from Operations (Net Sales)	68,20,000	52,00,000
Net Profit after Tax	2,06,800	2,92,800
Equity Share Capital (Subscribed and fully paid-up, share of ₹10 each)	20,00,000	16,40,000
Reserve and Surplus	4,70,000	11,80,900
6% Debentures	14,00,000	12,60,700
Trade Payables	7,12,600	8,96,000
Provision for Tax	1,00,000	1,16,000
Bank Overdraft	1,05,000	3,90,000
Fixed Assets (Tangible)	32,58,500	32,32,600
Inventories	6,30,200	14,58,300
Trade Receivable	8,56,960	7,56,800
Cash and Cash Equivalent	3,15,840	2,02,500

Planning and Execution:

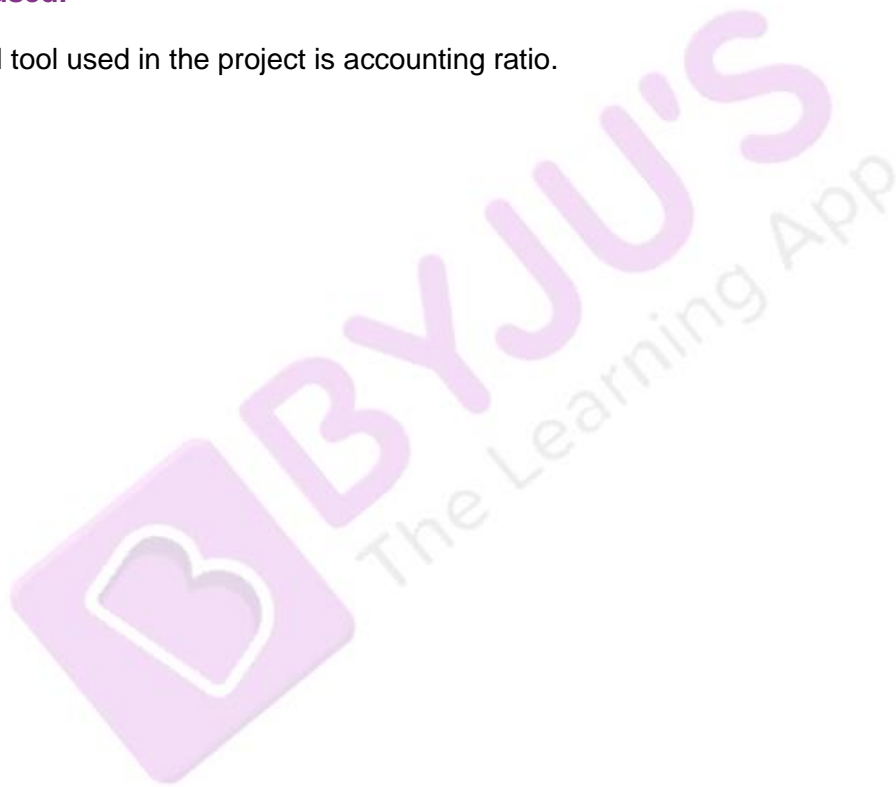
The project is planned and executed as follows:

1. Two Liquidity Ratio, i.e., Current Ratio and Quick (Liquid or Acid Ratio) Ratio are computed.

2. Profitability Ratio, i.e., Net Profit Ratio, Return on Total Assets Ratio and Return on Capital Employed are computed.
3. Activity Ratio, i.e., Inventory Turnover Ratio, Fixed Assets Turnover Ratio, Current Assets Turnover Ratio and Total Assets Turnover Ratio are computed.
4. Ratios for financial position, i.e., Debt to Equity Ratio, Fixed Assets to Long-term Funds Ratio and Proprietary Ratio are computed.
5. The accounting ratios so computed are plotted in a manner that comparison is easily made.
6. The accounting ratios of the two companies are analysed and accordingly commented upon.

Analytical tool used:

Analytical tool used in the project is accounting ratio.



Analysis and Conclusion

Computation of Ratios and Statement of Comparative Ratios

Ratio	Nayan Ltd. (₹)	Nutan Ltd. (₹)
<p>A. Liquidity Ratios</p> <p>(i) Current Ratio:</p> $\frac{\text{Current Assets}}{\text{Current Liabilities}}$ <p>Current Assets = Inventories + Trade Receivable + Cash and Cash Equivalents</p> <p>Current Liabilities = Trade Payables + Provision for Tax + Bank Overdraft</p>	$\frac{₹18,03,000}{₹9,17,600}$ <p>= 1.96 : 1</p>	$\frac{₹24,17,600}{₹14,02,000}$ <p>= 1.72 : 1</p>
<p>(ii) Quick Ratio:</p> $\frac{\text{Quick Assets}}{\text{Current Liabilities}}$ <p>Quick Assets = Trade Receivable + Cash and Cash Equivalents</p> <p>Current Liabilities = Trade Payables + Provision for Tax + Bank Overdraft</p>	$\frac{₹11,72,800}{₹9,17,600}$ <p>= 1.28 : 1</p>	$\frac{₹9,59,300}{₹14,02,600}$ <p>= 0.68 : 1</p>

<p>B. Profitability Ratio</p> <p>(i) Net Profit Ratio:</p> $\frac{\text{Net Profit (after tax)}}{\text{Revenue from Operation i.e. Net Sales}} \times 100$	$\frac{₹2,06,800}{₹68,20,000} \times 100$ <p>= 3.03%</p>	$\frac{₹2,92,800}{₹52,00,000} \times 100$ <p>= 5.63%</p>
<p>(ii) Return on Total Assets:</p> $\frac{\text{Net Profit (after tax)}}{\text{Total Assets}} \times 100$ <p>Total Assets = Fixed Assets (Tangible) + Inventories + Trade Receivable + Cash and Cash Equivalents</p>	$\frac{₹2,06,800}{₹50,61,500} \times 100$ <p>= 4.09%</p>	$\frac{₹2,92,800}{₹56,50,200} \times 100$ <p>= 5.18%</p>

<p style="text-align: center;">(iii) Return on Capital Employed</p> $\frac{\text{Profit before Interest and Tax}}{\text{Capital Employed}} \times 100$ <p>Profit before Interest and Tax = Net profit after tax + Debenture Interest + Provision for Tax</p> <p>Capital Employed = Equity Share Capital + Reserve and Surplus + Long-term Debts - Non-trade investments</p>	$\frac{₹3,90,800}{₹38,70,000} \times 100$ <p>= 10.10%</p>	$\frac{₹4,84,442}{₹40,81,600} \times 100$ <p>= 11.87%</p>
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C. Activity or Turnover Ratio		
<p>(i) Inventory Turnover Ratio:</p> $\frac{\text{Revenue from Operations (Net Sales)}}{\text{Inventories}}$	$\frac{₹68,20,000}{₹6,30,200}$ <p>= 10.82 times</p>	$\frac{₹52,00,000}{₹14,58,300}$ <p>= 3.57 times</p>
<p>(ii) Fixed Assets Turnover Ratio:</p> $\frac{\text{Revenue from Operations}}{\text{Fixed Assets}}$	$\frac{₹68,20,000}{₹32,58,500}$ <p>= 2.09 times</p>	$\frac{₹52,00,000}{₹32,32,600}$ <p>= 1.61 times</p>
<p>(iii) Current Assets Turnover Ratio:</p> $\frac{\text{Revenue from Operations (Net Sales)}}{\text{Current Assets}}$	$\frac{₹68,20,000}{₹18,03,000}$ <p>= 3.78 times</p>	$\frac{₹52,00,000}{₹24,17,600}$ <p>= 2.15 times</p>
<p>(iv) Total Assets Turnover Ratio:</p> $\frac{\text{Revenue from Operations (Net Sales)}}{\text{Total Assets}}$	$\frac{₹68,20,000}{₹50,61,500}$ <p>= 1.35 times</p>	$\frac{₹52,00,000}{₹56,50,200}$ <p>= 0.92 times</p>

<p>D. Financial Ratios (i) Debt to Equity Ratio:</p> $\frac{\text{Long - term Debts}}{\text{Equity Shareholders' Fund}}$ <p>Long-term debts = Debentures Shareholders' funds = Equity Share Capital + Reserves and Surplus</p>	$\frac{\text{₹14,00,000}}{\text{₹24,70,000}}$ <p>= 0.57 : 1</p>	$\frac{\text{₹12,60,700}}{\text{₹28,20,900}}$ <p>= 0.45 : 1</p>
<p>(ii) Fixed Assets to Long-term Funds Ratio:</p> $\frac{\text{Fixed Assets}}{\text{Long - term Funds}}$ <p>Long-term funds = Equity share capital + Reserves and Surplus + Debentures</p>	$\frac{\text{₹32,58,500}}{\text{₹38,70,000}}$ <p>= 0.84 Times</p>	$\frac{\text{₹32,32,600}}{\text{₹40,81,600}}$ <p>= 0.79 Times</p>
<p>(iii) Proprietor's Ratio:</p> $\frac{\text{Proprietor's Funds}}{\text{Total Assets}}$ <p>Proprietor's funds = Equity Share Capital + Reserves and Surplus</p>	$\frac{\text{₹24,70,000}}{\text{₹50,61,500}}$ <p>= 0.49 times</p>	$\frac{\text{₹28,20,900}}{\text{₹56,50,200}}$ <p>= 0.50 times</p>

Comments

Liquidity Position:

1. **Current Ratio** shows short-term financial soundness of the business. Higher current ratio means better capacity to meet its current obligation. Norms for current ratio vary on the basis of nature of the business. Generally the ideal current ratio is 2 : 1. Nayan Ltd. has a current ratio of 1.96 : 1; whereas Nutan Ltd. has a current ratio of 1.72 : 1. Since, the Current Ratio of Nayan Ltd. is closed to 2 : 1, it indicates that it has a comfortable current assets position. And it is in the better position to meet its current liabilities on time as compared to Nutan Ltd.
2. **Quick Ratio** is a fairly stringent measure of liquidity. It is based on those current assets which are highly liquid. Generally the ideal quick ratio is 1 : 1. Nayan Ltd. has a quick ratio of 1.28 : 1; whereas Nutan Ltd. has a current ratio of 0.68 : 1. It indicates that Nayan Ltd. is in a better position to meet its current liabilities at a short notice. Thus, Nayan Ltd. has a better liquidity position as compared to Nutan Ltd.

Profitability Position:

Profitability refers to the financial performance or efficiency of the business.

All the profitability ratios of Nutan Ltd. are better than that of Nayan Ltd. It shows that Nutan Ltd. is making better utilisation of available resources than Nayan Ltd. Due to making more economical purchases or products are better priced, the Net Profit Ratio of a Nutan Ltd. is better. This must be due to the better result of Gross Profit Ratio.

Activity Ratio:

Activity Ratios measure how well the resources have been used by the enterprise. After the analysis of all the activity ratios, it shows that activity ratios of Nayan Ltd. are better than that of Nutan Ltd. It also shows that Nayan Ltd. is making better utilisation of available resources to achieve sales. But Nayan Ltd. is earning lower profit as compared to Nutan Ltd.

Financial Position:

After analysing all financial ratios, it shows that both the companies' financial position is not much different. The ratios indicate that both the companies are equally placed.

Teacher's Observation

