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DEPARTMENT OF BANKING AND FINANCE



An evaluation of the application of financial analysis in assessing the performance of a company. Case study of Delta Corporation Limited.

Research Project

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B190665A

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APPROVAL FORM

The undersigned certify that they have supervised the student B190665A dissertation entitled, **an evaluation of the application of financial analysis in assessing the performance of a company. Case study Delta Corporation Limited**, submitted in partial fulfillment of the requirements of the Bachelor of Business Studies in Banking and Finance (Honors) Degree at Bindura University of Science Education.

.....
Student Name	Signature	Date

.....
Supervisor	Signature	Date

.....
Chairperson	Signature	Date

RELEASE FORM

NAME OF STUDENT:

B190665A

DISSERTATION TITLE:

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SIGNED

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DEDICATION

This research project is dedicated to my family for their magnificent support that has made me the person I am today. Special dedication to my caring mother Greness Makamba for her selflessness and passionate support during the course of this study. I also dedicate this project to my late father Mr Snedias Mavunga, who always supported me and taught me to be courageous and optimistic at all times.

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ABSTRACT

Financial analysis is a very important tool in an organization as it results in better decisions being made. Good decisions enhance the growth, survival and profitability of an organization. The main purpose of this research project was to evaluate the application of financial analysis in assessing the performance of a company which is in this case Delta Corporation Limited. The research have the following objectives: does financial statements play an important role in determining the profitability of an organization, to analyse the usefulness of financial statements in assessing Delta Corporation Limited's performance and lastly to determine the level of financial performance in Delta Corporation Limited. The sample size was 100 people. A questionnaire was used in order to obtain data from the targeted population. The data was then tested to ensure its reliability and validity. In analysing data, the researcher used SPSS 21.0 version. The researcher used frequencies, regression and correlation analysis to present and interpret the data found on the financial statement analysis and performance of Delta Corporation Limited. In this research study, the researcher found out that there is a strong positive relationship between financial statement analysis and organizational performance. Delta Corporation Limited should make use of the financial statements analysis techniques in order to improve its performance. Basing on the findings from the research study, the researcher came up with the following recommendations: Delta Corporation Limited should keep proper records of financial statements as they enhance the profitability of an organization, make appropriate use of financial statement analysis techniques as they arouse an organizational performance and lastly the organization must be aware of the indicators of financial performance as they play an important role in investment decision making.

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CHAPTER ONE

1.1 INTRODUCTION

There are various stakeholders with different requirements for a company's financial information. These stakeholders include the government, lenders, trade creditors, shareholders and the general public at large. Financial analysis is of great significance to these stakeholders as it assist them in decision making. The stakeholders are there to use the financial information they get from the organization to help them to assess and analyse the performance of the organization and also help them to identify whether the main objectives of an organization are achieved or not. Financial statement analysis is a process that look at the past and current financial data to measure an organizational performance and assess the potential risks and opportunities which are likely to be faced in the future. As highlighted by Auwalu and Ibrahim (2017), financial statements present information about the way the organization is operating to various stakeholders such as regulators, financial analysts and investors in making economic decisions.

Financial statements analysis focuses mainly on the data that is provided in the firm's annual reports which consists of the financial statements and other supplementary information. This information will therefore be used to compare the present and past state of the organization and if there are any major differences then corrective measures will be put in place. An organization can use financial ratio analysis to evaluate its performance in terms of liquidity, solvency, competition and whether there is an appropriate use of funds or not.

This research study mainly focuses on the application of financial analysis in assessing the performance of a company which in this case is Delta Corporation Limited. The research is basing on whether the financial statements are useful in determining the performance of a company or not.

1.2 Background of the study

Financial analysis is very important as it assist in evaluating the stability, profitability and the viability of an organization. The main purpose of financial analysis is to identify changes in financial trends and also to evaluate the relationship between the current and past financial records so as to assist the organization to analyse its performance basing on results made. Financial analysis are also used to compare the performance of an organization with that of its

(Laitinen, 2002). Financial performance can be defined as a process of measuring the results of an organization's activities and policies in monetary terms. When assessing the overall financial position of a company, the income statement and the statement of financial position are important reports. The income statement shows the operating performance of an organization and the statement of financial position determines its net worth. The financial performance can be analysed using the following measures which are momentous in assessing the financial position and performance of an organization and they include descriptive and analytical tools. Descriptive tools include revenues, expenses, assets shareholders equity and income, whereas analytical tools include profitability measures (Helfert, 2003).

Financial statements are very important tools in an organization that need to be monitored and controlled at all times. Financial statements like the statement of financial position, income statement and the statement of cash flow can be used to manage, analyse and compare the previous records of the organization with those from the current period (Edmister, 1972). The statement of comprehensive income indicates the effects of the management's operating decisions on the performance of the business and the accounting profit or loss that have been made over a certain period (Cheatham and Cheatham, 1993). Financial statements are very important in the economy as they provide information to shareholders and the firm's creditors about the organization's current and past financial performance, they also assist in decision making that is to say what to be done to improve sales and the market share of the organization.

1.3 The problem statement

Financial statements show the position of an organization at the end of an accounting period but they do not show the precise performance on the way the resources have been used at the end of a certain period. The operating profit figure of an organization might be higher in the current year compared with that in the previous year, however this does not mean that the organization operated better in the current year than in the previous year. This is so because the cost of an asset is considered in the previous year it was purchased and this reduces the profit for that previous period. So if the judgement is based on this view, it will hurt the investors thereby affecting their interest in investing in the company. Some investors in other countries cannot use ratios in evaluating the performance of the company especially those in Nigeria. This is so because of illiteracy and ignorance, so it becomes difficult to attract such investment based on the financial statement of the company but rather other factors like productivity level and competitive advantage.

As highlighted by Conteh and Akuntansi (2021), in order to make an investment decision that is efficient and effective, a financial statement analysis is a very crucial process that is required to be carried out by investors. If the investors fail to carry out this analysis in identifying investment opportunities, this investment will be at a higher risk of failure. This study is centred on the financial statements presented by Delta Corporation Limited clearly highlighting its application in determining its performance. This means that the performance of an organization is based on the financial reports they prepare.

1.4 Objectives of the study

1.4.1 Primary objective

The study is there to critically analyse the use of financial statements in assessing the performance of an organization and also to ascertain its roles in investment decision making in Delta Corporation Limited.

1.4.2 Sub-objectives

- i. To find out the role of financial statements in determining the profitability performance of Delta Corporation Limited.
- ii. To find out how the use of financial statements analysis assist the organization in identifying investment opportunities. Case study of Delta Corporation Limited.
- iii. To examine various ways that can be used to measure the financial position of Delta Corporation Limited.

1.5 Research questions

The research questions are:

- i. What is the role of financial statements in determining the profitability performance of Delta Corporation Limited?
- ii. To what extent are financial statement analysis assist the organization in identifying investment opportunities? Case study of Delta Corporation Limited.
- iii. What ways that can be used to measure the financial performance of Delta Corporation Limited.

1.6 Significance of the study

The study will be of immense benefit to other researchers who intend to know more about the importance of financial statements in an organization and can also be used by other non-researchers to build and have more light as well as better understanding on their research work.

This research study will emphasise on the case study of Delta Corporation Limited in order to evaluate the application of financial analysis in assessing its performance. The study will also augment greater benefit, by acting as a tool that can be used by different type of stakeholders when making critical decisions on investments. Financial statement analysis enables the organization to know what needs to be done in order to improve its performance for example reducing the number of debtors by offering cash sales, this will protect the organization from credit risk. Credit risk affect the liquidity position of the firm thereby leading to insolvents.

The study will also help other organizations to fight competition by comparing their financial statements with that of other firms in the same industry.

1.7 Limitations of the study

The researcher was not able to collect data using different methodologies like face to face interviews because of time constraints as he is a full time student who is currently on campus. As a result the researcher focused on questionnaires as a data collection tool to evaluate the application of financial analysis in assessing the performance of an organization.

The researcher faced a financial resource limit vital in carrying out the research as he does not go to work. However, he managed to use cost effective and functional data collection methods to address the financial limitation highlighted above.

1.8 Definition of terms

Analysis – Is a process of examining the elements or structure of something.

Financial statement-Is a combination of the three major reports on a business. It consists of the cash flow statement, the statement of profit or loss and the balance sheet.

Financial statement analysis- Is a method or process involving specific techniques for evaluating risks, performance, financial health and future prospects of an organization.

Financial performance- It is a complete evaluation of a company's overall standing in terms of assets, liabilities, equity, expenses, revenue and overall profitability.

1.9 Chapter Summary

This study aims to show how Delta Corporation Limited is using financial statements to analyse its performance. The financial statements provide a clear picture on how well the organization is performing. These include the statement of profit or loss which indicate the amount of profit that the organization have made after all the expenses are subtracted, the statement of financial position which states whether the company's assets are able to pay for its liabilities and the

statement of cash flows which shows the amount of cash getting in and out of the company over a certain period. This research study will also look at the ratios that enable the organization to compare the current results with the past results and if there is a major difference then corrective measures will be put in place. More light on financial analysis will be added on the following chapters.

CHAPTER TWO

LITERATURE REVIEW

2.0 INTRODUCTION

This research is there to highlight the importance of financial statements in analysing an organizational performance practice. Financial statements are of great value to an organization as they enable the organization to know its position in the market that is to say market share, revenue, and the profit made at the end of an accounting period.

In this work, am focusing on Delta Corporation Limited which is one of the biggest companies in Zimbabwe. Delta Corporation Limited is an integrated beverage company with a diverse portfolio of local and international brands in lager beer, traditional beer, Coca-Cola, franchised sparkling and alternative non-alcoholic beverages. It has investments in associate companies whose activities are in cordials and juice drinks, wines and spirits. The company is listed on the Zimbabwean Stock Exchange and was first listed in 1946 as Rhodesia Breweries Limited.

Financial statements show a company's position, its transactions and also the results of the company's performance. When analysing these statements, the decision makers of the company will have knowledge and come up with a clear picture on what to do in the future. To achieve these financial statements, the following information must be included that is the assets, liabilities, equity, income and expenses and as well as the cash flows of the company. This must be recorded following the steps and formats provided by the International Accounting Standards that all companies must follow when doing their annual reports, (Plesco 2013).

Financial statements provide a good overview of the past and present that is to say how the company have been performing in the past years compared to the present performance. Many types of financial analysis can be used to measure the performance of the organization. The first one is vertical analysis which looks at various components in the statement of profit or loss and dividing them by revenue in order to express them as a percentage (Diamond, 2006). In order for vertical analysis to be precise, the results must be compared against other

companies that are in the same industry to find out whether the company is performing well or not.

Secondly, we have the horizontal analysis which involves taking several years of financial data and comparing them to each other in order to determine the growth rate (Diamond, 2006). This helps to determine whether the company is performing well in terms of growth. It also helps to indicate important trends faced by an organization as time progresses. When building financial models, there will be typically be at least three years of historical financial information and five years of forecasted information. This provides eight plus years of data to perform a meaningful trend analysis which can be benchmarked against other companies in the same industry (Pendey 2005). Maheswari (2005), also highlighted that trend ratio analysis facilitate in investment decision making.

Last but not least we have the ratio analysis which shows the relationship between the data taken from the financial statements. This data helps analysts to know the company's profitability, liquidity, solvency, and analyse how it is performing. Financial statements that are mostly used in this analysis are the income statement, the statement of financial position and the cash flow statement (Diamond 2006).

2.1 The importance of financial reports

Financial reports are very important due to the fact that they provide sufficiently useful information to stakeholders that is to say the shareholders, employees, customers, investors and any other relevant parties. When these reports are analysed and assessed efficiently, they can help direct the course of actions an organization should take. It also helps risk takers to be more knowledgeable in terms of making decisions concerning their interests.

2.1.1 The composition of the financial reports

Financial report are historical documents that describe the financial results of the company's past activities. These reports are very important as they assist the organization in decision making and also determine the actual performance of the organization over a certain period. According to Meigs and Meigs (2003), financial statements are structured representation of the financial position and financial performance of an organization.

According to Diamond (2006), financial reports consist of the following:

i. Statement of financial position

This part of financial statement is also referred to as the balance sheet which is prepared under the basic accounting equation which is calculated as the total assets of the firm less the total liabilities. The balance sheet is the statement that summarises the financial position of an organization over a certain period (GAAP, 2007). The difference that is there between the total assets and the total liabilities is known as the net worth or equity. When the total assets are more than total liabilities, this means that the organization is managing its liabilities very well hence this will facilitate the growth of the company. In other words the statement help users to assess the long term solvency of an entity as well as the going concern status of the organization. The statement of financial position is made up of an organization's assets and liabilities. Assets refers to the resources owned by the business for example land, buildings and premises whereas liabilities refers to what the business owes for example loans. The difference between assets and liabilities is equals to equity.

ii. **Statement of profit or loss**

The statement of profit or loss is also referred to as the income statement. This statement shows the profit or loss that an organization have made over a certain period. It summarises an organization's revenues and expenses at the end of a certain period (Larson and Miller, 1993). The income statement shows the profit that the organization have made from its trading activities. Net profit or operating profit on the other hand discloses many other operating costs and expenses in the computations together with the cost of products sold, like depreciation on machinery and equipment and other overhead expenses. This is very important for evaluating the real profitability of the firm by comparing the previous results on the income statement with the current results or the results of other firms in the same industry. If an organization have high operating profit, this means that the firm is operating very well.

iii. **Statement of changes in equity**

In accordance to the research done by Maheswari, (2005) a statement of changes in equity highlights the financial position of an organization over a certain period. This statement provide adjustments to show the movement in owner's equity over an accounting period resulting in changes in shareholder's equity and as a result of issue of new shares.

iv. **Statement of cash flow**

The statement reports the use of monetary assets generated in an organization through operating, investing and financing activities. It shows the cash inflow and outflow of an

organization over a certain period. The statement of cash flow helps to ascertain the short term viability of an organization that is to say its ability to generate sufficient liquidity in order to meet its maturing obligations. Petro et al (1990), stated that the statement of cash flow is made up of three parts which are operating activities, investing activities and financing activities.

Operating activities: It shows cash inflow and outflow from the organization's day to day operations.

Investing activities: It shows the cash flow from the buying and selling of long term goods. This part of the cash flow statement shows the amount of cash getting in and out of the business that is when the organization buy or sell its property, equipment and assets. An increase in investments means there is a cash outflow and the opposite is true.

Financing activities: it shows the cash flow generated or spend on raising share capital and debt together with the payment of dividends and interest. It also accounts for all the money used to finance the business (Petro et al, 1990).

2.1.2 Users of financial statements

This refers to people or organization that make use of financial statements and these include the following:

- **Managers**

This refers to people who manage the activities of an organization on a daily basis. They work as agents of the shareholders. They only follow the rules and instructions set by the shareholders. The managers keep the financial statements of an organization as they use them to evaluate the organizational performance and make crucial decisions (Saoud, 2020).

- **Shareholders**

These are owners of the business who invest their capital in an organization in order to make profit on their investment. The financial statements provide the shareholders with important and crucial information about the viability, stability and profitability of an organization (Saoud, 2020).

- **Investors**

These are individuals and corporate organizations that purchase shares in a company. These investors are highly concerned about the amount of returns they get after investing in a particular company. So they use these financial statements to analyse whether the organization

is performing well or not thereby influencing their decisions to invest or not to invest in a particular company.

- **Creditors**

These are people or organizations that offer credit facilities to businesses for example banks. These creditors they want to be paid their money back with an interest, so they use the financial statements in order to know the financial state of an organization. If an organization is not viable enough, they will not offer credit to such an organization as they will be high chances of default (Saoud, 2020).

- **Government**

Financial statements provide appropriate inputs to government decision making that will assist in assessing organizations for tax purposes. In other words financial statements clearly shows the government the amount of tax that a company must pay. Financial statements reflect the performance of the economy.

- **Employees**

This refers to people or individuals working in an organization. The employees want to be informed about the developments in the company that is its profitability and going concern. Financial statements will clearly show the performance of the organization to the employees which will boost their motivation hence leading to increased productivity.

- **Customers and the general public**

These are people benefiting from the goods and services provided by the company. These people can also use financial statements to analyse and evaluate the way the company is performing. As the company is performing well, customers believe that quality goods are produced hence they will remain loyal to the company and the opposite is true.

2.1.3 Financial statement analysis in investment decision making

Investment analysis focuses mainly on the structure and efficient allocation of financial resources in an organization (Pandeg, 2005). Financial statements assist in providing financial information to interested stakeholders about the way the organization is performing. The information provided by financial statements become valuable to the organization when it is fully analysed and interpreted.

The tool used in financial statements when making investment decisions is ratio analysis. This analysis refers to the judgemental procedure that is used to assess the current and past financial position of an organization. Gavtan (2005), defined financial ratio analysis as a process of determining and interpreting the relationship that is there between the data obtained in the financial statements to come up with a valuable comprehension of the productivity, liquidity, and profitability of the firm. Furthermore, for ratios to be more precise as a financial statement analysis tool, it has to be compared with the previous accounting records of the firm to show the way it have been moving and also compared to other firms in the same industry in order to ascertain the firm's strength, weakness, opportunities and threats.

As said by Bragg (2012), when calculating and assessing the business operational performance basing on financial statements, a financial ratio analysis should be used. Financial ratios can be divided into five fundamental categories namely:

2.1.3.1 Short-term solvency and liquidity ratio

This ratio measures the ability of the organization to cover or meet its short term obligations when they fall due. This ratio is very important to an organization because if the organization have inadequate liquidity, this will result in loss of creditor's confidence and also wrong decisions being made. This will therefore, hinders the performance of an organization. The ratio which shows the liquidity position of a company are:

- a. Current ratio which is calculated as $\text{Current Assets} / \text{Current Liabilities}$. The proper ratio must be 2:1, the ratio above this means that the organization is failing to meet its short term obligations and the opposite is true.
- b. Quick ratio is also referred to as the acid test ratio and is calculated as $\text{Current Assets} - \text{Inventories} / \text{Current Liabilities}$. The satisfactory ratio must be 1:1.
- c. Net working capital ratio: It is the difference between current assets and current liabilities and it is calculated as:

$$\text{Net working capital} = \text{Net working assets} / \text{Net assets}$$

2.1.3.2 Potential and actual growth ratio

This ratio shows the returns that an organization get from its investments. It estimate the firm's ability to meet its objectives and survive in the market environment that is ambiguous and uncertain thereby leading to economic development at large (Ratu and Yoga 2021).

2.1.3.3 Performance ratio

This ratio is used to measure and evaluate the performance of an organization. The ratio shows the way the organization is operating thereby highlighting its viability, reliability and profitability. Performance ratios are very important in financial ratio analysis as they are linked together with the objective of a firm's value expansion and shareholder's wealth.

2.1.3.4 Profitability ratio

This ratio is calculated in order to measure the operating efficiency of an organization. These ratio include;

- a. Gross profit margin = (Sales – Cost of goods sold) / Sales
- b. Net profit margin: This ratio indicates the overall measure of the firm's ability to turn each sales made into net profit. It is calculated as:

$$\text{Net profit margin} = \text{Profit after tax} / \text{Sales}$$

2.2 Empirical analysis

Financial statements are very important in the brewing industry, but in today's changing business environment studies have proven that there are many ways that can be used to measure and analyse the performance of an organization rather than the use of financial statements. However, profitability is still regarded as one of the important ways used to assess the organizational performance but without the financial statements, it is difficult to measure or ascertain the profitability level hence making it difficult to determine the performance of an organization. This analysis aims to provide a better understanding of the relevance of financial statements analysis as a yardstick for evaluating financial performance in the brewery industry.

Otley (2012), argues that the effectiveness of financial statement does not depend only upon an organizational objectives. When the information generated and shown by the financial statements satisfy the needs of the users, such financial statements are regarded as more effective. Effective financial statements should continuously show information that are likely to have an effect on investment, financial and management decision making as well as an impact to potential investors.

Al-Aameri and Alrikabi (2007) on their study, focused on one of the important techniques in financial analysis namely, the financial ratios which is used for evaluating the performance of petroleum projects company and to find out the main strengths and weaknesses likely to be faced in those projects, so as to suggest the solutions to solve the negative impacts and enhance the favourable results. The paper contains detail study for the data included in financial statements to explain the financial performance of the company which will help the management in planning the future judging on the previous performance.

Mercy (2014) has it that financial statements are significant for forecasting an organization's performance. They made this conclusion basing on the findings that financial statements play an important role in making investment decisions and they need to be considered first before an organization decide to invest in a particular company in order to make a profitable return on their investment.

A study which was carried out in Nigeria by Adebayo et al (2013) highlighted the importance of accounting information provided in financial statements helping firms to make sound and productive financial, economic and funding decisions. They used primary data to obtain information for their study by ensuing questionnaires. Regression analysis and Karl pearsons correlation was used and utilised for data analysis. The study show that the information in the firm's financial statement is an exceptional tool used to make organizational decisions. However, they advised firms to put their resources in information technology tools in order to improve their productivity, viability and the way they conduct their businesses.

Gopinathan (2009), carried out a study on the financial ratio analysis for evaluating the performance of manufacturing industries in Kenya by using descriptive statistics method. The study highlighted that financial ratio analysis is done to make sense of the massive amount of numbers presented in the company's financial statements and it is used to evaluate the performance of the company. This will enable the investors to make decisions whether to invest in that organization or not. The study also showed that the liquidity, profitability, solvency and activity ratios are very useful in measuring the financial performance of manufacturing industries.

2.3 Theoretical framework

This includes the structure that supports the theory of this research. Then it goes on to introduce and explain the theories that explain why this research is done under this research. The following theories helped the researcher to carry out this study.

2.3.1 Theory of investment analysis

Investment theory come at the top of the report and includes parts of a company's overview, but regardless of its position in an analysis. It should cover both the positive and negative keys of investment. Investment analysis can use quantitative and qualitative techniques for determining profitable investment strategies and these include market trends, monitoring of reports published by the company, statistical treatment of economic indicators to detect the exact pattern or other methods of identifying opportunities for profit. This theory support this research study as it also concentrate on the financial reports published by an organization in making an investment decision which sustain its operation. In this study the researcher is focusing on the financial statement analysis in assessing the performance of a company and this theory will assist as it also focused on the same area of this study.

2.3.2 Agency theory

Agency theory states that the role or duty of managers is to monitor and control the way the organization operates on behalf of the shareholders so that effective monitoring can improve the performance of the by reducing agency costs. Boyd (2000), stated that the oversight function of boards is also referred to as the controlling role. According to Amy and Thomas (2003), the theoretical support for the manager's supervisory role is drawn from agency theory, which highlights the potential for conflicts of interest that arise from separation of ownership and control in organizations. According to the agency theory, the owners of the company are the principal and the managers are the agents. The primary function of the directors is to act in the interest of the shareholders. Close monitoring by the managers is important to ensure that it does not pursue its own interests at the expense of shareholders.

2.3.3 Measuring the level of financial performance of Delta Corporation Limited

In a study by Stoner (2003), financial performance refers to the ability to operate efficiently, profitably and the ability to identify threats and opportunities as the world is always changing. It is measured by return on assets (ROA), return on equity (ROE), return on investment (ROI) and earnings per share (EPS).

Return on assets (ROA)

It is a ratio that shows an organizational financial performance over a certain period. It is a ratio of comparing income of an organization to its total assets. It shows how efficiently the organization's resources are used to generate income (Stoner, 2003). It is calculated as:

$$\text{ROE} = \text{Net income} / \text{Total assets}$$

Return on equity (ROE)

As highlighted by (GAAP, 2007), return on equity measures the return that is earned from the investments made by an organization. It also shows how well an organization has used the resources of the shareholders. It is calculated as:

$$\text{ROE} = \text{Net income} / \text{Shareholders equity}$$

Return on investment (ROI)

GAAP (2007), stipulated that return on investment measures how well an organization is using its assets in order to make profit. The higher the return on investment means that the organization is making more profit and vice versa. This ratio is calculated by dividing net income of an organization by the average total assets to produce net income.

Earnings per share (EPS)

The organization's earnings per share is the interest that is to be presented to shareholders. It is calculated by subtracting preferred dividends from net income and then the result is divided by average number of shares outstanding (Bayyurt, 2008).

$$\text{EPS} = (\text{Net income} - \text{Preferred dividends}) / \text{Average number of outstanding shares}$$

2.4 Conceptual framework

The conceptual framework is the base on which the rest of the research project is based. It shows the relationships between the variables that are regarded as important for the study of a given problem. The dependent variable is Delta Corporation Limited's financial performance which include the following: return on assets (ROA), return on equity (ROE), return on investment (ROI) and earnings per share (EPS) whereas the independent variable is financial statement analysis which consists of the following: ratio analysis, common size analysis, vertical analysis and horizontal analysis. There are variables that identify a relationship between variables and are referred to as intervening variables. The intervening variables in this research study are changes in manufacturing industry strategy, employee motivation and policies. This can be represented diagrammatically as below:

Independent variables

dependent variable

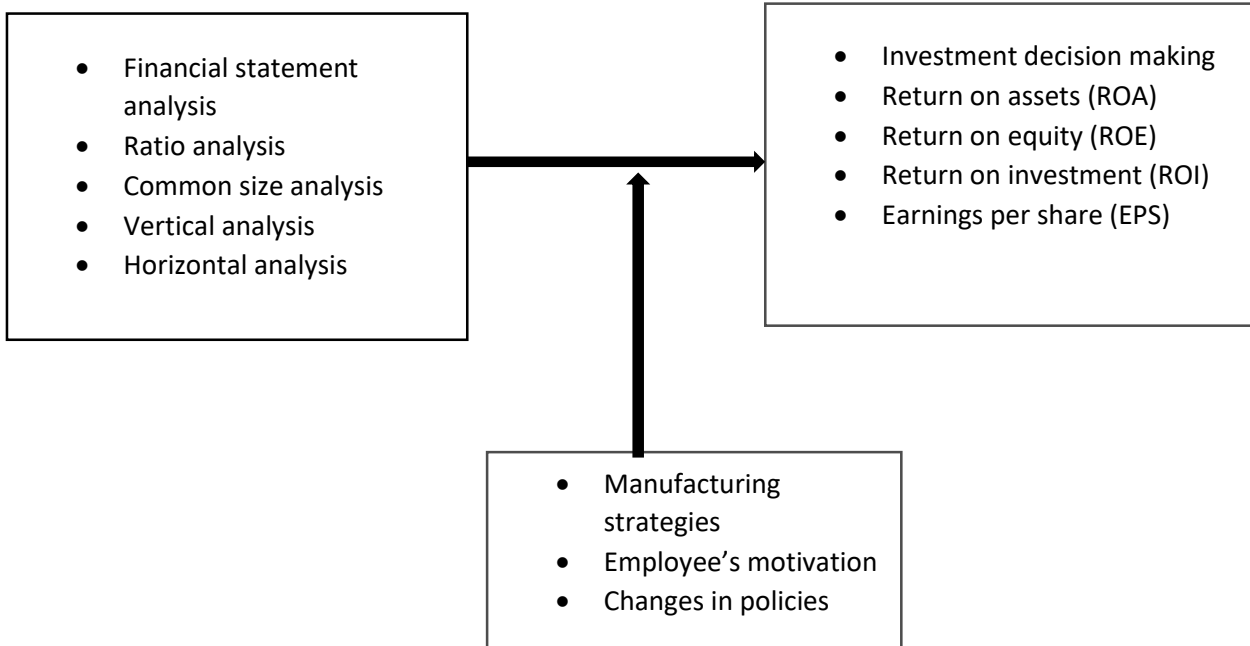


Fig 1. Conceptual framework

The above conceptual framework assist in determining the factors that affect the financial performance of an organization and also highlighted how each of these factors can be linked and affect the result as a whole. The framework identifies the independent variable as financial statement analysis which is made up of comparative analysis, trend analysis, time series analysis and common size analysis (William, 2006). Therefore, these factors affect the return on investment, return on assets, earnings per share and return on equity. The intervening variable affect both the dependent and independent variables.

Manufacturing strategies are combination of action goals put forward in order to achieve desired organizational goals for example lowering prices in order to increase the organization's market share.

According to Johnson and Johnson (2003) employee's motivation may be defined as the degree to which individuals commit effort to achieve goals that they perceive as being meaningful and worthwhile. Motivation is very important to employees as it creates a sense of belonging to an organization thereby leading to increased productivity which will translate to increased market

share. An employee motivation can be influenced by the social, biological and emotional factors in an organization.

2.5 Linking literature review to current study

It is significant to know how much impact financial statements have in measuring the performance of an organization. Financial statements consists of the organization's transactions and possessions hence if they are used more effectively they will result in better organizational performance.

According to Wallman (1995), he studied that much of the organization's value does not appear in the statement of financial position thus limiting the role of financial reporting to investors. Wallman believed that a drastic change in the accounting system could resolve complaints about the timeliness of financial statement information. On this study Wallman was mainly focusing on other ways used to measure the performance of an organization without only relying on the information provided on the financial reports of an organization. Whilst in this current study the researcher mainly focused on the information provided in the financial statements. The researcher was guided by the following objectives: does financial statements play an important role in determining the profitability of an organization, to analyse the usefulness of financial statements in assessing the organization's performance and lastly the level of financial performance in a company.

In the 5th edition of Lasher's financial statement (2008), he studied the role of financial information on investment on financial institutions. The study uses the regression analysis and economic analysis to analyse secondary data and conclude that financial statement is a communication of financial information useful for making investment credit and other business decisions. This study had a similar objective with this current study which is the role of financial statements in an organization. On this study the researcher agreed with Lasher as similar results were found basing on the above highlighted objective.

2.6 Research gap

Most similar studies that have been carried out before, most of them focused on the use of financial statements in order to obtain statistical results and also focuses on other means of measuring performance like productivity levels whereas this study is focusing on whether financial analysis can be depended on in evaluating the organization's performance which is in this case Delta Corporation Limited.

2.7 Chapter Summary

The theoretical framework defined the key terms of the study and also provided a clear picture of financial statement analysis practices. It also highlighted the use of financial statements in evaluating the performance of an organization. The study also has empirical literature, theoretical framework, conceptual framework and identification of research gaps that clearly explain the link between dependent, independent and intervening variables.

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 INTRODUCTION

This chapter presents the research design, research methodology, study population, sampling methods, sampling procedure, data collection instruments and lastly data analysis methods.

3.2 Research design

According to (Gorard, 2010), research design encompasses the method and procedures employed to conduct the study. Therefore, for the purpose of this study the researcher adopted a descriptive research design approach. This is so because it allows the researcher to generalize findings to the population and to interpret the results statistically. It includes reporting on the actual results of the research. It also result in the formulation of important principles of knowledge and solution to a significant problem.

3.3 Research methods

The researcher used quantitative research method. This was accomplished through the distribution of questionnaires to the targeted population followed by the interpretation of those findings. The researcher has chosen the quantitative research method because of its ability to gather more information in a short period. The method is not time consuming as compared to other methods like face to face interviews.

3.4 Study population

For this study the population study were the workers at Delta Corporation Limited in Harare. According to (Gorard, 2010) a population is a collection of all items of interest to a statistical practitioners. The study population is accounting staff, internal audit staff, selling staff and finance staff unit of Delta Corporation Limited. The population have 370 staff according to the Delta Corporation Limited HR monthly returns, 2021, and a sample was taken from this population.

3.5 Sampling methods

For the purpose of this study, the researcher used a non-probable purposive random sampling method. This method is easy to use and also not time consuming as compared to the probability method.

In this research, the sample size to the total population shall be 30 percent which is the required sampling ratio recommended for populations under a figure of 1 000 as proposed by (Nardi, 2003). The sample size for the study was 100 participants out of a population of 370.

3.6 Sampling procedure

The staff at Delta Corporation Limited is going to be given self-administered questionnaires. The questions will be attended to without the researcher's influence. The researcher will group the staff into groups that is finance staff, accounting staff, selling staff and internal audit staff. The researcher will then choose representatives from these groups to answer the questionnaires. This will ensure that all the staff is represented in the study population. The researcher will also inform the potential participants about what the study is for. The researcher will give the participants a period of at least one week to fill the questionnaires.

3.7 Data collection instruments

The researcher shall gather primary data from the staff at Delta Corporation Limited using self-administered questionnaires. The questionnaire allows the respondents to answer the questions with answers provided and there are some questions in which they have to show their opinions.

3.8 Administration of data collection instruments

I have decided to use questionnaires because of the following reasons:

- (Krathwohl, 2000), highlighted the advantages of using a questionnaire as that it allows one to gather large amount of data. He also highlighted that questionnaires are cheap and quick way of gathering information.
- Questionnaires are accurate and convenient, (Marshall, 2000).
- Questionnaire are reliable. This means that they can produce similar results in different implementations, resulting in consistency of results, (Leftwitch, 2007).

The above reasons motivated me in using the questionnaire as a data collection method in this study. However, questionnaires have also got some weaknesses like as the questionnaire is left to the respondents, they can provide bias information as the will be no one available to monitor their participation.

3.9 Data analysis method

The researcher shall take part in analysing the data in order to maintain its accuracy and completeness. The data collected shall then be analysed using descriptive statistical methods in terms of numbers, frequencies and percentage. The researcher used a statistic program called SPSS 21.0 version for analysing the statistics in this research project.

CHAPTER FOUR

DATA PRESENTATION AND DISCUSSION

4.1 Introduction

This chapter mainly focused on interpreting and presenting data collected from the field of the study. The data was collected, grouped and then presented using statistical tables and other descriptive methods. The results are interpreted based on the percentage of responses to each specific question and objective addressed by the analysis conducted.

4.2 Response rate

From the 111 questionnaires that were administered, only 100 questionnaires were able to be collected by the researcher which gave the research a response rate of 90 percent.

4.3 Data reliability

Reliability Statistics

Cronbach's Alpha	N of Items
.967	15

Source SPSS 21.0

4.4 Demographic Characteristics of the Respondents

4.4.1 Age of respondents

From table 1 below, it is shown that out of 100 respondents, the majority of them were from the 41-50 age category which constituted 30 percent, followed by 27 percent respondents from a 31-40 age category, followed by 20 percent from a 18-30 age category, followed by 16 percent from a 51-60 age category and lastly a smallest figure of 7 percent respondents that are 61 years and above. This means that most of employees of Delta Corporation Limited are of active working age, which clearly shows that the respondents are actively engaged in analysing the financial statements and financial results of the organization.

Table 1: Respondent's age groups

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid 18-30	20	20.0	20.0	20.0
31-40	27	27.0	27.0	47.0
41-50	30	30.0	30.0	77.0
51-60	16	16.0	16.0	93.0
61 and above	7	7.0	7.0	100.0
Total	100	100.0	100.0	

Source SPSS 21.0

4.4.2 Gender of respondents

Table 2 below shows that the majority of the respondents were males 70 percent out of the total number of 100 respondents (100%). Females only constituted of the remaining 30 respondents which is 30 percent. The table shows that there was gender equality in the respondents as both males and females contributed in the answering of the questionnaires.

Table 2: Gender of respondents

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Male	70	70.0	70.0	70.0
Female	30	30.0	30.0	100.0
Total	100	100.0	100.0	

Source SPSS 21.0

4.4.3 Level of education of respondents

The table 3 below highlight that the majority of the respondents have a certificate and diploma as shown by a bigger figure of 47 respondents (47%). The second largest category consists of 32 (32%) respondents with an undergraduate degree, followed by 13 (13%) with a postgraduate degree. There are also 8 (8%) respondents with a secondary school certificate as their highest level of qualifications. This means that all these participants have knowledge and skills in the financial statement analysis and financial performance of Delta Corporation Limited.

Table 3: Respondent’s level of education

	Frequency	Percent	Valid Percent	Cumulative Percent
secondary school	8	8.0	8.0	8.0
under-graduate degree	32	32.0	32.0	40.0
Valid post-graduate degree	13	13.0	13.0	53.0
certificate and diploma	47	47.0	47.0	100.0
Total	100	100.0	100.0	

Source SPSS 21.0

4.5 Outcomes on specific research objectives

The following sections include the presentation of each set of results, the interpretation of those results, the comparison of the results with past empirical research and theoretical framework that is to say stating whether the results in this research study are different or similar to previously conducted studies. The presentation of the findings focused primarily on the following objectives: to analyse the usefulness of the financial statements in evaluating the performance of Delta Corporation Limited, to examine the level of financial performance of Delta Corporation Limited, to determine the means that can be used to measure the financial performance of Delta Corporation Limited.

4.5.1 Objective one: to find out the role of financial statements in determining the profitability performance of Delta Corporation Limited.

In order to answer this objective, the researcher made a question relating to this research

Table 4: Does financial statements play an important role in determining the profitability of an organization

Options	Frequency	Percentage %	Cumulative %
Yes	85	85	85
N0	15	15	100
Total	100	100	

Source primary data

From the table 4 above, shows that 85% respondents agree that financial statements play an important role in determining the profitability of Delta Corporation Limited, whilst 15% of the respondents did not agree to this.

4.5.2 Objective two: to analyse the usefulness of financial statements in assessing Delta Corporation Limited’s performance.

In order to address this goal, the researcher posed questions relating to this objective which are: what are the techniques or methods of financial statement analysis used at Delta Corporation Limited, what is the importance of ratio analysis as a financial statement analysis technique used at Delta Corporation Limited, what is the importance of common size analysis as a financial statement analysis technique used in Delta Corporation Limited.

Table 5. The financial statement analysis techniques used in Delta Corporation Limited

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid common size analysis	36	36.0	36.0	36.0
trend ratio analysis	36	36.0	36.0	72.0
time series analysis	28	28.0	28.0	100.0
Total	100	100.0	100.0	

Source SPSS 21.0

The table 5 above shows that common size analysis and trend ratio analysis are widely used in this organization as they have higher respondents rate of 36(36%) each and lastly followed by time series analysis with 28(28%). These results are in agreement with the research conducted by William (2006), who also explained that the practice of financial statement analysis is common size analysis, trend ratio analysis and time series analysis. In this case the researcher agreed with this study because the practice of financial statement analysis is the same.

Table 6: The importance of trend ratio analysis as a financial statement analysis technique used in Delta Corporation Limited.

	Frequency	Percent	Valid Percent	Cumulative Percent
Shows how capital employed is rotated	36	36.0	36.0	36.0
Shows how industry is solvent	44	44.0	44.0	80.0
Shows the earning potential of the industry	20	20.0	20.0	100.0
Total	100	100.0	100.0	

Source SPSS 21.0

The above table 6, shows that trend ratio analysis is very important in an organization as it results in better decision making in an organization (Maheswari, 2005). The above data shows that the respond to the industry solvent, have the highest percentage of 44(44%) respondents, followed by how capital employed is being rotated with 36(36%) respondents and lastly the earning potential of the industry with the lowest percentage of 20(20%) respondents. The findings are also similar to a research done by Al-Aameri and Alrikabi (2007), which also highlighted that trend ratio analysis is used to predict the future performance of an organization. Another study carried out by Gopinathan (2009), which highlighted the importance of ratio analysis as they assist investors in investment decision making that is to say whether to invest in a certain company or not. If the ratios are favourable, they will invest and the opposite is true.

Table 7: The importance of common size analysis as a financial statement analysis technique used in Delta Corporation Limited.

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Analyse the balance sheet on basis of the total assets	32	32.0	32.0	32.0
All items are expressed as a percentage of cost of goods sold.	27	27.0	27.0	59.0
Study the behaviour and pattern of ratio	41	41.0	41.0	100.0
Total	100	100.0	100.0	

Source SPSS 21.0

As highlighted by (GAAP, 2007) there are many importance of common size analysis as a financial statement analysis practice used by Delta Corporation Limited. The data above, shows that the respond to the study the behaviour and pattern of ratios have a higher respondents rate of 41(41%) percent, followed by analyse the balance sheet on basis of the total assets with 32 (32%) respondents and lastly all items are expressed as a percentage of cost of sales with 27(27%) respondents.

Table 8: The results of financial statements analysis techniques used by Delta Corporation Limited

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Sound investment decision	28	28.0	28.0	28.0
Sound profitability	32	32.0	32.0	60.0
Provide public trust	14	14.0	14.0	74.0
Sound financial decision	26	26.0	26.0	100.0
Total	100	100.0	100.0	

Source SPSS 21.0

The table 8 above shows that sound profitability have a higher respondent's rate of 32%, followed by sound investment decision with 28%, followed by sound financial decision with

26% and lastly provide public trust with the lowest rate of 14%. This means that the results of the financial statements analysis techniques used by Delta Corporation mainly assists in providing a sound investment decision which will therefore result in better performance.

4.5.3 Objective three: To examine the level of financial performance in Delta Corporation Limited.

In order to address this research goal, the researcher pose questions relating to this objective and these include: what are indicators of financial performance in Delta Corporation Limited, how is the level of financial performance in identifying investment opportunities, does Delta Corporation Limited keep accounting records as well as financial statements, are the employees aware of the advantages of preparing financial statements, is there any relationship between financial statement and investment decision making, does the financial statement of a company predict future financial stand of a company, what are basic types of financial statement used by Delta Corporation Limited and lastly what are the influence of financial statement analysis to the financial performance of Delta Corporation Limited.

Table 9: Indicators of financial performance in Delta Corporation Limited

	Frequency	Percent	Valid Percent	Cumulative Percent
Return on Assets (ROA)	41	41.0	41.0	41.0
Return on Equity (ROE)	23	23.0	23.0	64.0
Valid Return on investment (ROI)	24	24.0	24.0	88.0
Earnings Per Share (EPS)	12	12.0	12.0	100.0
Total	100	100.0	100.0	

Source SPSS 21.0

The table 9 above, highlighted that return on assets (ROA) have a higher percentage of respondents of 41%, followed by return on investment (ROI) with 24%, followed by return on equity (ROE) with 23% and lastly earnings per share with the lowest percentage of 12%. This means that the financial performance of Delta Corporation Limited is highly shown by return on assets.

Table 10: How is the level of financial performance in identifying investment opportunities?

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Excellent	19	19.0	19.0	19.0
Very good	36	36.0	36.0	55.0
Good	36	36.0	36.0	91.0
Poor	9	9.0	9.0	100.0
Total	100	100.0	100.0	

Source SPSS 21.0

Table 10 above shows that good and very good have a highest respondent's rate with 36% each, followed by excellent with 19% and lastly poor with the smallest rate of 9%. This means that the level of financial performance in identifying investment opportunities is very good.

Table 11: Does Delta Corporation Limited keep accounting records as well as financial statements

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid yes	92	92.0	92.0	92.0
no	8	8.0	8.0	100.0
Total	100	100.0	100.0	

Source SPSS 21.0

Table 11 above shows that the majority of the employees respond to yes with a percentage of 92% respondents and the remaining 8% said no. This means that Delta Corporation keep accounting records as well as financial statements.

Table 12: Are you aware of the advantages of preparing financial statements.

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid yes	90	90.0	90.0	90.0
Valid no	10	10.0	10.0	100.0
Total	100	100.0	100.0	

Source SPSS 21.0

The table 12 above shows that the majority of the respondents said yes with a percentage of 90% and the remaining 10% respondents said no. This means that the employees of Delta Corporation Limited are aware of the advantages of preparing financial statements. This is similar to the study carried out by Adebayo et al (2013), which concluded that financial statements are important as they improve the performance of an organization due to better decisions making.

Table 13: Is there any relationship between financial statements and investment decision making.

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid yes	85	85.0	85.0	85.0
Valid no	15	15.0	15.0	100.0
Total	100	100.0	100.0	

Source SPSS 21.0

The table 13 above shows that the majority of the respondents 85% have said yes and the remaining 15% respondents said no. This means that most of the employees at Delta Corporation Limited believe that there is a strong relationship between financial statements and investment decision making.

Table 14: Does the financial statement of a company predict future financial stand of a company.

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid yes	92	92.0	92.0	92.0
no	8	8.0	8.0	100.0
Total	100	100.0	100.0	

Source SPSS 21.0

The table 14 above shows that the majority of the employees said yes with a respondent's rate of 92% and the remaining 8% respondents said no. This means that financial statements predict the future financial stand of a company. This is similar to the study carried out by Mercy (2014), which concluded that financial statements can predict the future performance of an organization.

Table 15: What are the basic types of financial statement used by Delta Corporation Limited?

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Statement of financial position	34	34.0	34.0	34.0
Statement of comprehensive income	29	29.0	29.0	63.0
Statement of cash flow	17	17.0	17.0	80.0
Statement of changes in equity	20	20.0	20.0	100.0
Total	100	100.0	100.0	

Source SPSS 21.0

The table 15 above shows that the statement of financial position have a higher respondents rate of 34%, followed by statement of comprehensive income with 29% respondents, followed by statement of changes in equity with 20% respondents and lastly the statement of cash flow with the smallest rate of 17%.

Table 16: What are the influence of financial statement analysis to the financial performance of Delta Corporation Limited?

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid It reveals the stock price of a company	21	21.0	21.0	21.0
It assist in financial decision making	49	49.0	49.0	70.0
It assist in investment decisions	30	30.0	30.0	100.0
Total	100	100.0	100.0	

Source SPSS 21.0

In the table 16 above, it assist in financial decision making have a higher number of respondents of 49%, followed by it assist in investment decisions with 30% respondents and lastly it reveals the stock price of a company with the smallest rate of 21%.

Table 17: What is the best measure of a company's financial performance?

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Net profit margin	33	33.0	33.0	33.0
Current ratio	18	18.0	18.0	51.0
Quick ratio	25	25.0	25.0	76.0
Working capital	24	24.0	24.0	100.0
Total	100	100.0	100.0	

Source SPSS 21.0

In table 17 above, net profit margin have a higher respondents of 33%, followed by quick ratio with 25% respondents, followed by working capital with 24% respondents and lastly current ratio with the smallest rate of 18%.

Table 18: Which metrics do you use to measure financial performance?

	Frequency	Percent	Valid Percent	Cumulative Percent
Profitability	38	38.0	38.0	38.0
Net income	17	17.0	17.0	55.0
Valid Sales growth	35	35.0	35.0	90.0
Expense reduction	10	10.0	10.0	100.0
Total	100	100.0	100.0	

Source SPSS 21.0

In the table 18 above, profitability have a higher respondents of 38%, followed by sales growth with 35%, followed by net income with 17% and lastly the expense reduction with 10% respondents.

Table 19: Is it appropriate to believe in the ability of past financial statement in forecasting future performance?

	Frequency	Percent	Valid Percent	Cumulative Percent
Yes	81	81.0	81.0	81.0
Valid No	19	19.0	19.0	100.0
Total	100	100.0	100.0	

Source SPSS 21.0

The table 19 above, shows that the majority of the respondents said yes with a respondent's rate of 81% and the remaining 19% respondents said no. This means that it is appropriate to believe in the past financial statement when forecasting future performance.

Table 20: Regression analysis

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
1 (Constant)	.266	.125		2.132	.035
FP11	1.221	.100	.778	12.261	.000

Source SPSS 21.0

According to table 20 above, the researcher got intercept $a = 1.221$ and slope $b = 0.35$. Thus the linear equation was $Y = 1.221 + 0.35X$, where X was financial statement analysis and Y was the performance of the organization. From the above equation, the researcher established an influence of financial analysis on the performance of Delta Corporation Limited. This indicates a strong positive relationship between financial analysis and performance of the organization. Therefore, there is a significant correlation between financial analysis and organizational performance.

Table 21: Correlation**Correlations**

		FSA	FP
FSA	Pearson Correlation	1	.953**
	Sig. (2-tailed)		.000
	N	100	100
FP	Pearson Correlation	.953**	1
	Sig. (2-tailed)	.000	
	N	100	100

** . Correlation is significant at the 0.01 level (2-tailed).

Source SPSS 21.0

The table 21 above shows that there is strong correlation between financial statement analysis and financial performance at a significant level of 0.01. This means that financial statement analysis have a strong impact on the performance of an organization which is in this case Delta Corporation Limited.

4.6 Chapter summary

This chapter has been centered on the presentation of the data and the analysis of the findings of the research. Most of the findings in this chapter has showed that the financial statement analysis can be relied upon when assessing the performance of an organization. The next chapter focuses on summary, conclusions, recommendations and suggestions for further researches.

CHAPTER FIVE

SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.0 Introduction

This chapter focuses on a logical summary of the findings, conclusion and recommendations made according to the research variables and objectives of the study. This chapter also provides suggestions for further researches. The purpose of the study was to evaluate the application of financial analysis in assessing the performance of a company.

5.1 Summary of findings

The research study mainly focused on evaluating the application of financial analysis in assessing the performance of a company which is in this case Delta Corporation Limited.

The findings of this research have been presented according to the order of the research objectives of the study that are highlighted in chapter one and these include: to find out the role of financial statements in determining the profitability performance of Delta Corporation Limited, to find out how the use of financial statements analysis assist the organization in identifying investment opportunities and to examine various ways that can be used to measure the financial performance of Delta Corporation Limited.

In terms of respondent's identification, the findings present the age, gender and the level of education of the respondents.

In terms of gender, male respondents have a higher percentage of 70% and female respondents have a smaller percentage of 30%. This means that both the male and female respondents contributed their opinions and also there was gender equality thereby reducing biased information.

In terms of age, the majority of the respondents ranged from 41- 50 years with a highest rate of 30%. This means that most of the employees of Delta Corporation Limited were in the active working age. Therefore, this means that the respondents actively participated in analysing the financial statements and performance of the organization.

As for the level of education, the results indicated that 47% of the respondents hold a certificate and diploma which is an appropriate qualification level for professional employees in any commercial establishment. This means that the majority of Delta Corporation Limited

employees have the necessary knowledge and skills in the field of financial statement analysis, which increases the efficiency of the organization.

5.2 Findings to research objectives

This research study was guided by the following research objectives which include: to find out the role of financial statements in determining the profitability performance of Delta Corporation Limited, to find out how the use of financial statements analysis assist the organization in identifying investment opportunities and to examine various ways that can be used to measure the financial performance of Delta Corporation Limited.

5.2.1 Objective one: to find out the role of financial statements in determining the profitability performance of Delta Corporation Limited

According to this question, the majority of the respondents agreed that financial statements play an important role in determining the profitability of Delta Corporation Limited. This means that most of the employees at this organization are much aware of the importance of financial statements.

5.2.2 Objective two: To find out how the use of financial statements analysis assist the organization in identifying investment opportunities.

The first question on this goal related to the financial statement analysis practice used in Delta Corporation Limited. The findings showed that common size analysis and trend ratio analysis had higher respondents rate which means that they are the key financial statement analysis practice used by Delta Corporation Limited.

The second question related to the importance of ratio and common size analysis as financial statement analysis techniques used in Delta Corporation Limited. The findings showed that the ratio analysis shows how industry is solvent with the highest respondents of 44% and on the common size analysis, study the behaviour and pattern of ratios with the highest respondents of 41%. All the responses that have been made clearly shows how useful financial statements are in assessing Delta Corporation Limited's performance. The findings also showed that financial statements result in a sound investment decision.

5.2.3 Objective three: To examine the level of financial performance in Delta Corporation Limited.

In order to answer this research objective, the researcher came up with questions like what are indicators of financial performance. The findings showed that the main indicator is return on assets (ROA) with a highest percentage of respondents of 41%. The respondents clearly showed that the level of financial performance of Delta Corporation Limited is very good and

also there is a strong positive relationship between financial analysis and the organization's performance, this was found through an equation used by the researcher and also the results showed that there is a significant relationship between financial statement analysis and organizational performance.

5.3 Conclusion

Based on the results of objective one of this research study, the majority of the respondents are aware of the role of financial statements in determining Delta Corporation Limited's profitability. For the second objective of this study, the majority of respondents are aware that financial statements help the organization in making investment decisions and thus improving its performance. Finally, in research objective three of this study, it was clearly shown that there was an impact of financial statement analysis practices on the performance of Delta Corporation Limited.

In conclusion, the study showed that financial analysis can be used to measure the performance of Delta Corporation Limited.

5.4 Recommendations

In the light of the above conclusion, it is recommended that Delta Corporation Limited should keep proper records of financial statements as they play an important role in determining the profitability of an organization.

Financial managers should ensure that financial statement analysis practices or techniques are used more appropriately as they support investment decision-making which will therefore lead to increased profitability.

The organization must be aware of the indicators of financial performance as they play an important role in enabling the organization to achieve its goals.

This study recommends that further research must include more variables rather than two. In this research the researcher used two variables which are financial analysis or financial statement analysis and organizational performance.

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Appendix 1: Questionnaire for employees at Delta Corporation Limited

Re: An evaluation of the application of financial analysis in assessing the performance of a company. Case study of Delta Corporation Limited.

QUESTIONNAIRE

Re: An evaluation of the application of financial analysis in assessing the performance of a company. Case study of Delta Beverages.

Dear respondent

I, B190665A a student at the Bindura University of Science Education, pursuing a degree in Banking and Finance, am conducting research as part of my academic curriculum on an evaluation of the application of financial analysis in assessing the performance of a company. It is my hope that you are going to assist me effectively complete my task by allowing me to get relevant information from you with regards to my research study.

The study is solely for academic purposes and the information given will be treated with uttermost confidentiality. I therefore, sincerely ask you to spare some time and answer the following questions. Your cooperation will be greatly appreciated. The questions are based in evaluating the application of financial analysis in assessing the performance of a company hence you are requested to answer as per the questions requirements.

As I have alluded above, you are assured that all the information contributed would be treated with high confidentiality as this is a research exclusively for academic purposes only and no participants will be asked to provide their names as well as any unnecessary personal details.

RESPONDENT’S PROFILE

Please tick the appropriate answer:

1. Gender of respondents	1) Male [<input type="checkbox"/>], 2. Female [<input type="checkbox"/>]
2. Age of respondents	1) 18-30 [<input type="checkbox"/>] 2) 31-40 [<input type="checkbox"/>]

	3) 41-50 [] 4) 51-60 [] 5) 60 and above []
3. Level of education of respondents	1) None [] 2) Primary school [] 3) Secondary school [] 4) Under-graduate degree [] 5) Post-graduate degree [] 6) Certificate and diploma []

QUESTIONS RELATED TO THE RESEARCH TOPIC

Please tick on the available space provided

1) Does financial statements play an important role in determining the profitability of an organization?

Yes []

No []

2) **To analyse the usefulness of financial statements in assessing Delta beverages' performance.**

A) What are the financial statements analysis techniques or practices used in Delta Corporation limited?	1) Common size analysis [] 2) Trend ratio analysis [] 3) Time series analysis []
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B) What is the importance of ratio analysis as a financial statement analysis technique used in Delta Corporation Limited?	1) Shows how capital employed is rotated [] 2) Shows how industry is solvent [] 3) Shows the earning potential of the industry []
C) What is the importance of common size analysis as a financial statement analysis technique used in Delta Corporation limited?	1) Analyse the balance sheet on basis of the total assets [] 2) All items are expressed as a percentage of cost of goods sold. [] 3) Study the behaviour and pattern of ratio []
D) What are the results of financial statements analysis techniques used by Delta Corporation limited?	1) Sound investment decision [] 2) Sound profitability [] 3) Provide public trust [] 4) Sound financial decision []

3) To examine the level of financial performance in Delta Corporation Limited.

A) What are indicators of financial performance in Delta Corporation Limited?	1) Return on Assets (ROA) [] 2) Return on Equity (ROE) [] 3) Return on investment (ROI) [] 4) Earnings Per Share (EPS) []
B) How is the level of financial performance in identifying investment opportunities?	1) Excellent [] 2) Very good [] 3) Good [] 4) Poor []
C) Does your firm keep accounting records as well as financial statements?	1) Yes [] 2) No []

D) Are you aware of the advantages of preparing financial statements?	1) Yes [] 2) No []
E) Is there any relationship between financial statement and investment decision making?	1) Yes [] 2) No []
F) Does the financial statement of a company predict the future financial stand of a company?	1) Yes [] 2) No []

G) What are the basic types of financial statement used by Delta Corporation Limited?	1) Statement of financial position [] 2) Statement of comprehensive income [] 3) Statement of cash flow [] 4) Statement of changes in equity []
H) What are the influence of financial statement analysis to the financial performance of Delta Corporation Limited?	1) It reveals the stock price of a company [] 2) It assist in financial decision making [] 3) It assist in investment decisions []
I) What is the best measure of a company's financial performance?	1) Net profit margin [] 2) Current ratio [] 3) Quick ratio [] 4) Working capital []
J) Which metrics do you use to measure financial performance?	1) Profitability [] 2) Net income [] 3) Sales growth [] 4) Expense reduction []
K) Is it appropriate to believe in the ability of past financial statement in forecasting future performance?	1) Yes [] 2) No []

