

**FINANCIAL STATEMENTS ANALYSIS:
A CASE STUDY OF SOUTHERNHEM INDUSTRIES
SDN BHD**

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Report submitted in partial fulfillment of the requirements
for the degree of

Master of Business Administration (BM771)

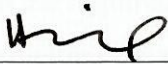
Faculty of Business Management

Jan 2012

DECLARATION

We hereby declared that this Applied Business Report is our independent work and effort except where otherwise stated.

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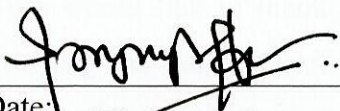
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ABSTRACT

The aim of this paper is to analyze the audited financial statements of Southernhem Industries Sdn Bhd using financial ratios analysis to identify potential problems areas of the company. Horizontal analysis or trend analysis and cash flows analysis would also be done to support the findings of the financial ratios analysis.

Based on the problem identified, structured interviews were conducted to further clarify on problem areas identified from the financial ratio analysis, horizontal analysis or trend analysis and cash flows analysis. A SWOT analysis will also be constructed based on the results and findings of financial ratios analysis, horizontal analysis, cash flows analysis and the structured interviews.

Recommendations would also be made to the management of Southernhem Industries Sdn Bhd, based on the SWOT analysis, which incorporates the results and findings of the financial ratios analysis, horizontal analysis, cash flows analysis and also the structured interviews.

It is hopes that the findings and the recommendations made would help Southernhem Industries Sdn Bhd to improve its financial performance and also encourage more in-depth research to be done based on the findings of this study.

Keywords:

Financial statements analysis, financial ratios analysis, SWOT analysis, horizontal analysis, cash flow analysis

CHAPTER ONE - INTRODUCTION

1.1 Background of the industry/study

Southernhem Industries Sdn Bhd was incorporated on 5th March 2001 with the authorized capital of RM500,000.00 and it's a 100% Malaysian owned company.

An enterprise is considered an SME in each of the respective sectors based on the Annual Sales Turnover or Number of Full-Time Employees (*Refer to Appendix i*). Southernhem Industries Sdn Bhd falls into Medium Enterprise category as they are having fulltime employees of 88 people.

Southernhem Industries Sdn Bhd (SI) is in the business of manufacturing and supply of quality Ductile Iron and Gray Cast Iron products mainly for portable water and sewerage distribution system. Additionally, Southernhem Industries Sdn Bhd has facilities to undertake special casting involving cast steel, high alloy cast irons and non-ferrous metal. Example, aluminum which are basically for engineering replacement parts.

Aggressive marketing reinforced by competitive pricing, high quality, prompt delivery and personalized services have collectively molded the foundation for continuous growth for the company.

1.1.1 Company's Strategic Plan

Southernhem Industries Sdn.Bhd has been awarded MS ISO 9001:2008 Quality Management System and accredited by UKAS.

The ISO 9000 standards are a set of international quality management system standards and guidelines. The terms ISO 9001 refers to a group of quality management standards which are process standard (not product standards). ISO 9001:2008 is part of the ISO 9000 family of standards and is the document that lists the requirements an organization must meet to become ISO 9001 Registered (ISO, 2011). Southernhem Industries Sdn Bhd which