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Inflow Global and Marketing Sdn Bhd

Final Year
Project

**ANALYSIS OF BUSINESS
PERFORMANCE**

EXECUTIVE SUMMARY

Muhammad Imran Bin Anuar (2019324753) as internship at Inflow Global and Marketing in Ipoh, Perak. It takes 24 weeks from 1st March to 13th August 2021 to complete the internship programmed. Throughout the practical period, I have done reports about the company performance.

This report provides an analysis and evaluation of the company performance. This report has used SWOT Analysis based on five years data of company's Statement of Profit and Loss from 2015 to 2019 to evaluate the company performance. The objectives of using this analysis to help organizations develop a full awareness of all the factors involved in making a business decision. SWOT analysis help to discovers recommendations and strategies, with focus on strengths and opportunities to overcome weaknesses and threats. The data show that the company have upwards trend of sales but having low net income due to having problems on high cost of goods sold and high spending on expenses.

The report finds the prospects of the company in its current positions are not positive.

The major areas of weakness require further investigation and remedial action by management. Recommendations discussed included, control spending on expenses and reduce cost such as storage cost and transportation cost. Along this study, there is limitation when conducted the report included having difficult to provides data on years 2020 because data from 2020 is not yet ready from auditors.

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COMPANY BACKGROUND

1998

Established on September 1998 and founded by Mr Haji Abdullah Sani Sha'ari.

Location: B7, Kawasan Industri Mara, Batu 7 ½, Jalan Tambun, 31150 Ulu Kinta, Perak

Business activity:

1. Retail operation of chain department since 22 years ago.
2. Offering a wide range of Halal products for local and global markets.
3. Provide tender services:
 - a. Hospital Raja Permaisuri Bainun, Ipoh.
 - b. Sekolah Tunas Bakti Taiping
 - c. Hospital Batu Gajah
 - d. Rumah Kanak-Kanak Kuala Kangsar – Present
4. Production:
 - a. Umah Mee Geti
 - b. Umah Mee Tambun
 - c. Umah Mee Cepat
 - d. Umah Tepung Ayam Goreng (Original & Spicy)

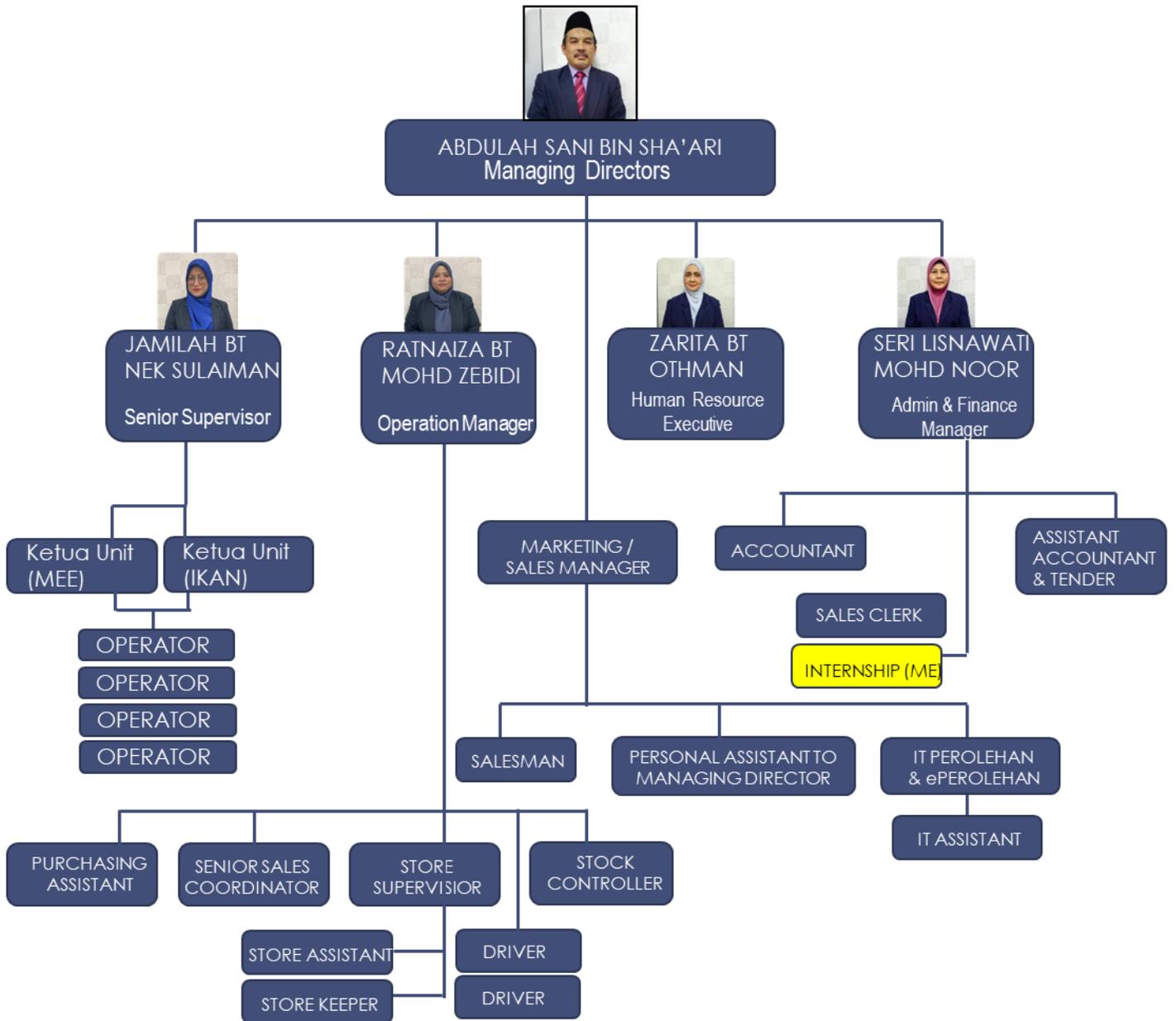
VISION:

Being a center of Halal Food leader in Manufacturer and Distributor.

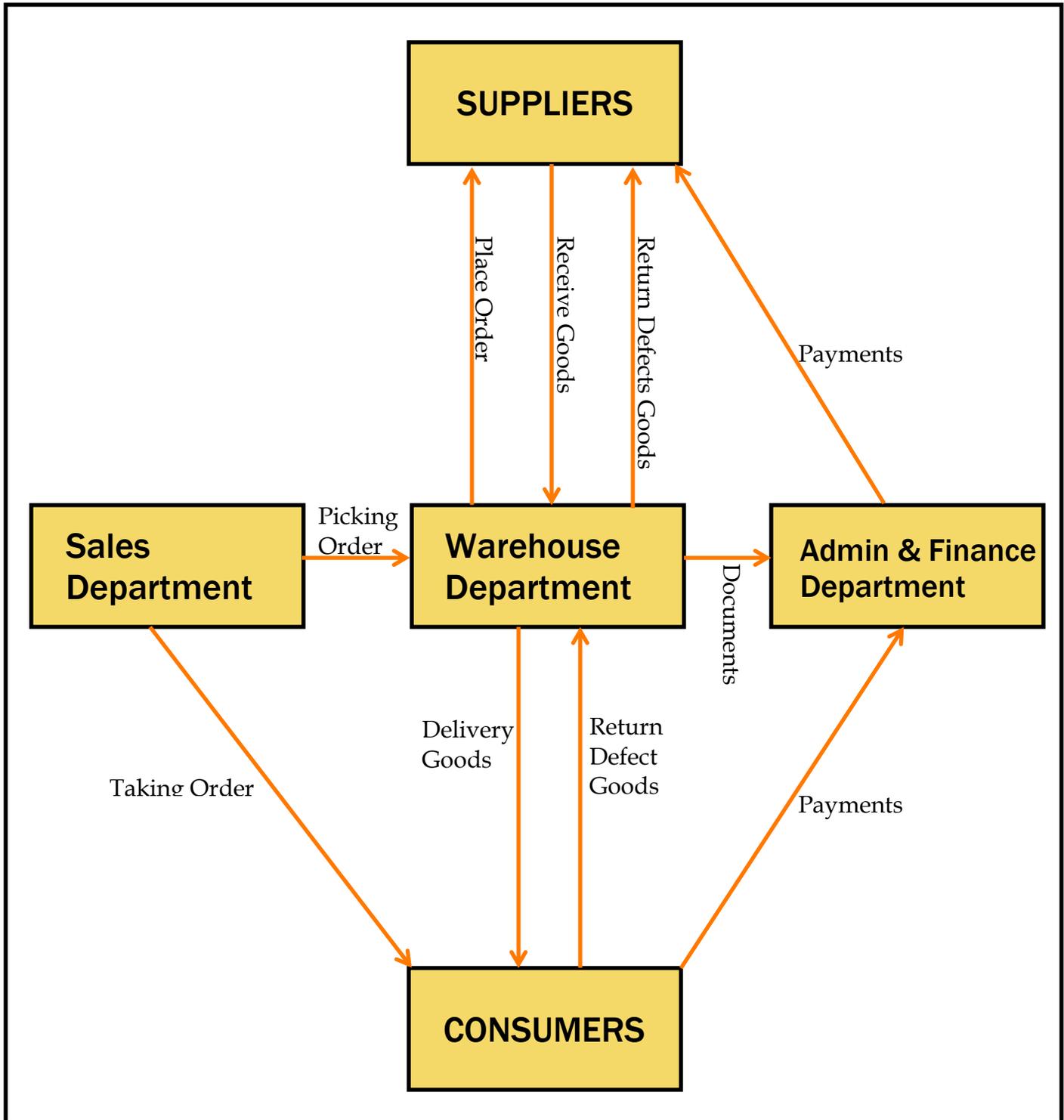
MISSION:

1. Being a center Halal Food Manufacturer and Distributor
2. Apply positive value and Islamic ethics into the work culture
3. Support SME Halal Food Manufacturer by distributing their product

ORGANIZATIONAL CHART



FLOW CHART



TRAINING REFLECTION

Role Roles, task, assignment

- i. Daily office administration work such as handling phone calls, preparing documents (duplicated invoice), record daily transaction, record vehicles millage.
- ii. Specific specialization task:
 - a. Learn how to manage credit control: Need to review and check unpaid debt by customers that due more than two months.
 - b. Learn to calculate real cost on production department:
Need to calculate cost of each products (Mee Geti, Mee Tambun and etc) from cost of raw material to finish goods.
 - c. Opening new account for frozen food. As starting, I must know generally about the products such as types of products, steps of processing and ingredients. Then, I need to record all cost involved such as packaging cost, labour cost and overhead.

Specific Department

Admin and Finance Department
Working with Accountant and Assistant
Accountant

Duration:

1ST March 2021 – 13th August 2021

Benefits I received and gained:

- i. Allowance, bonus, commission, meals and over-time allowances
- ii. Knowledge and technical skills related to work. Learn new software (SQL Accounting software and HQ Retail software)
- iii. Knowledge and skills related to personal development. Learn being multi-task, learning to working with foreign partnership, Priority on work given instead help others.

INTRODUCTION

Industrial distributors are intermediaries selling products manufactured by industrial manufacturers to industrial businesses using these products to create a finished product or service business-to-consumer distributors (or retailers), by contrast, are companies selling products to consumers for their own consumption. (Hinterhuber & Hinterhuber, 2012). In Malaysia, industrial retailer is the most common business growing in past few years because the government introduce Small and Medium-Sized Enterprise (SME). However, it is hard to maintain the performance due to several factors such as prices of goods changes frequently, many competitors in same industry, higher of storing cost. In general, the companies in retailer's industry offers comparable prices and each company make something differentiate among them to gain more customers. Based on previous articles, retail service quality, whose importance is undisputed as a means for retailers to differentiate. (Haelsig et al., 2007) and brands are hypothesized to play a significant role in the purchase behaviour of industrial end customers. SMEs have been given extra attention by the Malaysia Government because it become important role for economic growth and promising future particular (Hanifah et al., 2020). Though Malaysian Government more focusing on Bumiputera SMEs because The reason is that Bumiputera SMEs' ownership and market sharing are still relatively lower than other races and they are still left behind. From the government's perspective, the equation of SME distribution among races is unbalanced and worrisome. Many Bumiputera SMEs are experiencing limited skills, knowledge and ability in gathering, integrating and translating information into innovative products and service. (Radzi et al., 2017) The main business of the company is retailers and distributors of foods and beverages from variety of brands and supply to the consumers. The company is focusing more on "Bumiputera" products and halal products such as Mudim, Faiza, and Sufi products. The company also provide tender services as one of their business activities. Foods and beverages are always in high demand because it is essential goods for daily life. However, the top management of the company states that the company is having problems in cash flow that affect the low payment of supplier's debt and keep making more loans. Although the company having high sales but the operating profit lower due to high in cost of good sold.

LITERATURE REVIEW

Strategic planning tools are important and useful usually for the strategic management process and most of it come from the practice of financial management. Strategic planning need to understanding the meaning of the numbers. There are many ratio tools available in financial analysis ratio. All ratio commonly used for financial analysis and adopted it for strategic management process. There are few important key financial ratios for strategic planning such as profitability, liquidity, leverage and activity ratios.(Bolland, 2017) Next, based on previous research, the purpose of research to study the balanced sheet structure of logistic service provider (LSPs) and dependency on asset, capital and liquidity. The observation consists of 150 LSP around the world and the detailed of balanced sheet analysis are using contingency theory. The result on the research show that the balance sheet analysis show that the financial structure of analysed LSPs is inhomogeneous and the most important financial indicators positively influencing profitability have been derived from the analysis of correlation of selected indicators with return on asset (Hofmann & Lampe, 2013). The next research stated that the purpose of the research to investigate whether financial companies of the United States of America are inclined to manipulate the management discussion and analysis (MD&A) tone. MD&A describe as the firm's financial condition through a narrative approach that help the investor to understand the company performance to achieve objective and to handle current issue. The results for unhealthy firms show that the MD&A tone of one year is not aligned with financial performance of the same year (Caserio et al., 2019). Futhermore, according to previous article by Hamidah Bahron have used ratios to analyze financial performane of the company. However, only some ratios have used current ratios (CR) and quick ratio (QR) represent liquidity ratios, debt ratio (DR) and debt to equity ratio (DTER) represent leverage ratios while net profit margin (NPM) and operating profit margin (OPM) represent profitability ratios.(Borhan et al., 2014). Cash flow analysis is important to determine either the company should make investment or not. Previous article have suggest that firms with limited cash flow should strive to reduce investment in working capital, firms with available cash flow should increase investment in working capital to improve performance (Afrifa, 2016).

DATA AND FINDINGS

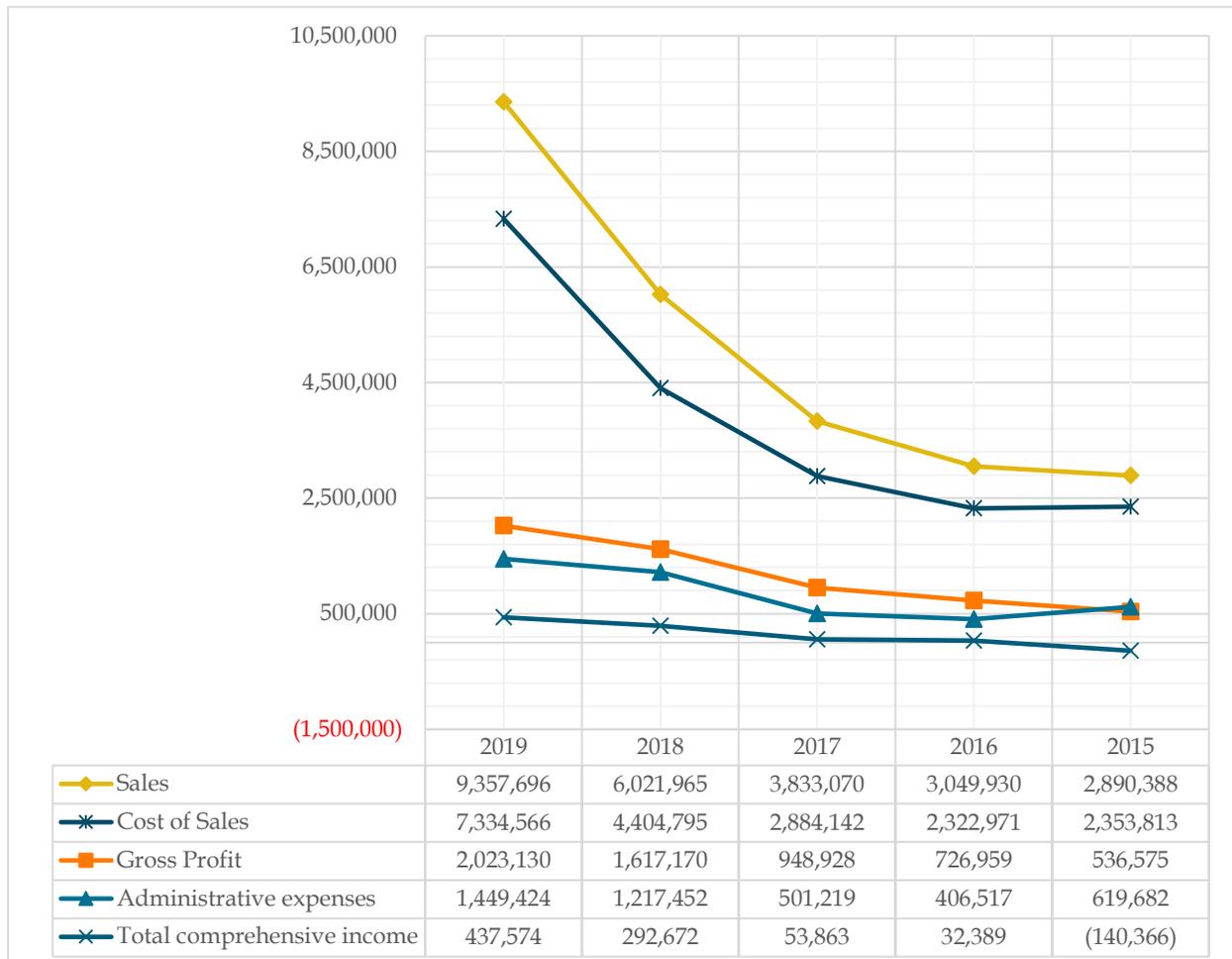


Figure 1 Performance of five years back

Based on figure 1 above, the sale increase gradually from 2015 to 2019, the highest sales on year 2019 by RM9,357,696 and the lowest on year 2015 by RM2,890,388. Although the sales are high but the company are having low gross profit due to high cost of goods sold. Then, the company also high spending on expenses as result the net income are become lower. On year 2016, the expenses decrease and continuing increase from 2017 to 2019. The data above also show that the company at growth phase. As sales increase rapidly, business starting to have profit after break-even point and the profit are not high as sales. Finally, the cash flow during the growth phase becomes positive, representing an excess cash inflow.

S.W.O.T. ANALYSIS

S

- HIGH SALES
- CONVENIENT LOCATIONS
- HAVE OWN PRODUCT

W

- HIGH EXPENSE
- LOW NET INCOME

O

- USING TRENDING APPS
- EXCLUSIVE PRODUCT OFFERINGS

T

- SUPERMARKET MOVING TO ONLINE DELIVERIES
- ECONOMICS

DISCUSSION AND RECOMMENDATIONS

STRENGTH

Based on the figure 1 above, the sales performance of the company showing upwards trends from 2015 to 2019. The highest sales is on year 2019 which is RM9,357,696 while the lowest sales on year 2015 by RM2,980,388. I have discovered that all the salesman staffs are highly skilled and professional in collecting sales as result sales increasing back five years. The company also hired a few telemarketing staffs to find new customers and keeping taking order from existing customers. This way is helping the company to get more sales from time to time. For example, the company are always have incoming orders from existing customers and need to delivery goods every day to reach with the orders and the company always has sales trips over RM25,000. This show that the company have expert staffs in collecting sales. Furthermore, one of the strengths of the company is strategic location and located at Ipoh, Perak. Ipoh is the capital of Perak where have active business activity that make the company easy to get suppliers and customers. This will help the company for long-term ongoing business. Finally, the company taking chances by doing their own products such as Umah Mee Geti, Mee Tambun and Tepung Goreng Ayam. This help the company have diversity of income instead focusing on their on main business which retailers and distributors. However, it will burden the company to take care of both business at once.

WEAKNESS

Based on figure 1, although the company are having high sales from fives years back but the company have low net income. For example, on years 2019, the gross profit margin for the company only 22% and net profit margin down to 5%. This show that the company are having low gross profit due to high cost of good sold. The company should buy in bulk because buy in larger quantity will often be able to take advantages of quantity discounts. and able to get from shipping discount. The company also could ask the suppliers what sort of discounts that could benefits from the business. The lower of net income also affected by spend more expenses. The company should control their expenses by prioritizing needs and wants. Control spending on expenses may help the company to get higher net income in future and avoid having cash flow problems.

OPPORTUNITIES

I have discovered few opportunities that the company could take part. Firstly, the company could join with popular delivery application such “Grab Food”, “Food Panda” and “Bungkus IT”. These applications not just convenience to people but may give advantages to business. These applications not only delivered foods and beverage but also provide delivery groceries from retail shop and supermarkets. So the company should take this advantages by joining them. After that, since the company have many customers, the company could offer exclusive products from suppliers. Before that, the company need to form some strong relationship with manufactures that have strong brand. Then, ask the manufacture to provide some special products only for the company. An example, relationship between Gatorade and 7-Eleven, where certain flavors are only offered through 7-Eleven.

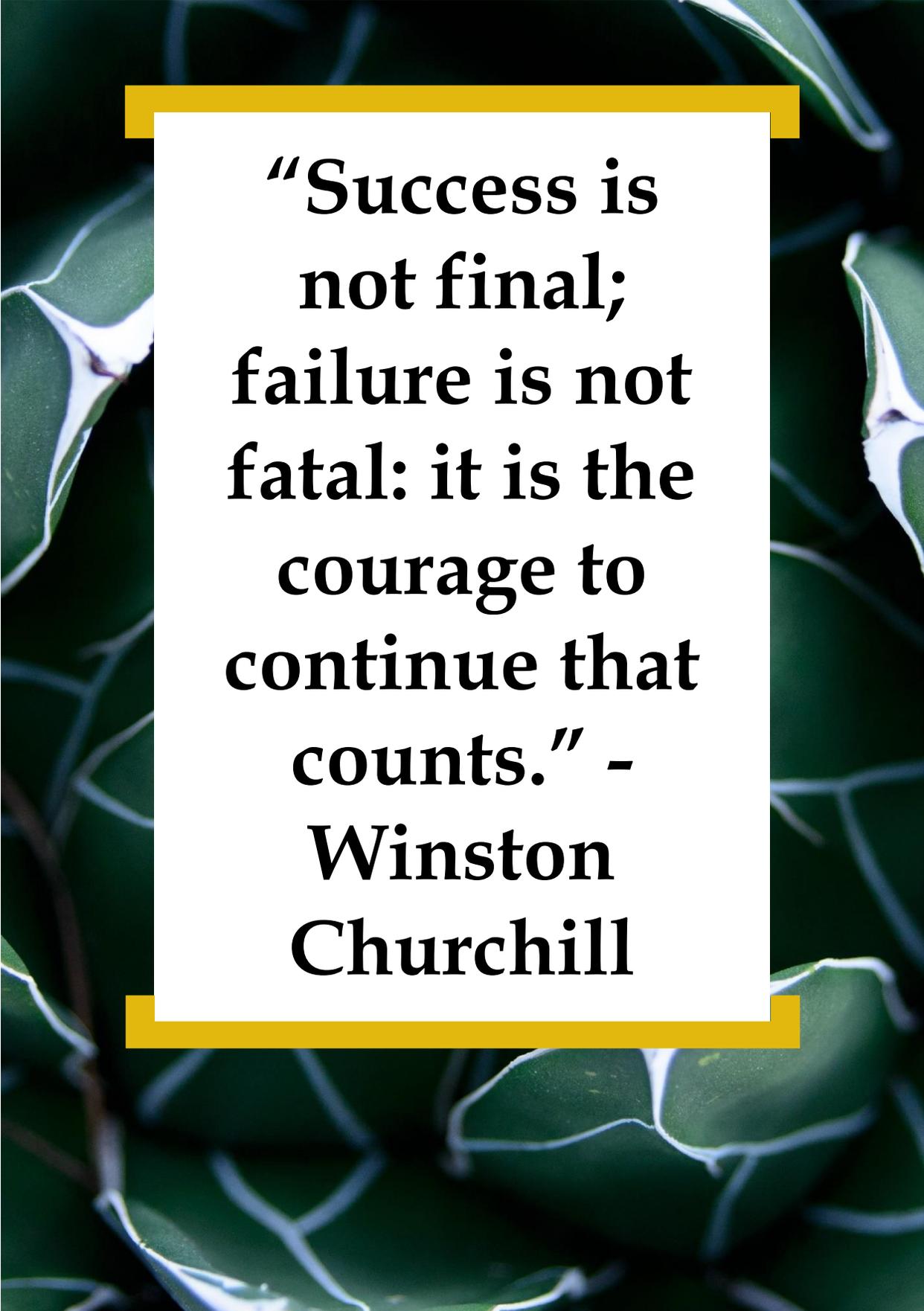
THREATS

Nowadays, major supermarket chain has adopting the system of ordering their groceries online and then having them delivered by their own employees. This system has gives good feedback from customers because it is effective and saving time for customers. For example, Aeon and Lotus are having online order and customers will keep choosing among them because both supermarkets are well-brand among people. The company should start to advertise more delivery advertisement on social media such as Facebook and Whatsapps so customers will know the company also have delivery goods. Next, the company also need to face unstable economics. Unstable economic may effects business performance such cost of goods are frequently increase, low buying power among people and cost of transportation increase. The company should consider the following strategies, first, making customers a priority. The company should providing customers what they want and when they want it. This will help the business keep going when having quality customers services.

CONCLUSIONS

The purposed of this report to analysis the company performance in back five years, 2015 to 2019 by using SWOT analysis. The analysis has been applied based on company's Statement of Profit and Loss. Its help to give awareness to company about their current position either in good or bad positions. As result, the company show successful in increase the sales but need to control spending on expenses. The company should investigate and make some improvements on the weaknesses to prevent collapse in future. Furthermore, based on the data show that the company in the growth phase. On this stage, the company need to focus on its in the right path of goals and must growth with purpose and cohesion. The management need to make sure that employees are helping business and can fulfil customers demands.

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**“Success is
not final;
failure is not
fatal: it is the
courage to
continue that
counts.” -
Winston
Churchill**



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