

## **A Study on financial performance of GOOGLE Organization 2006 to 2015**

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### **I. INTRODUCTION**

The word finance was originally as French word. In the 18th century, it was adapted by English speaking communities to mean “The Management of Money”. In other words, finance is the soul of our economic activities. To perform any economic activities, we need certain resources, which are to be pools in terms of money. Finance is a prerequisite for obtaining physical resources, which are needed to perform productive activities and carrying business operations such as sales, pay compensations, reserve for contingencies and so on. Hence, finance has now become an organic function and inseparable part of our day-to-day lives.

-According to *GENERAL SENSE*, “Finance is the management of money and other valuables, which can be easily converted into cash”.

-According to *EXPERTS*, “Finance is a simple fact of providing the necessary funds (money) required by the business of entities like companies, firms, individuals and others on the terms that are most favorable to achieve their economic objectives”.

-According to *ENTREPRENEUR*, “Finance is concern with cash. It is so, since every business transaction involves cash directly or indirectly”

### **Objectives of the Study**

1. To study the financial performance of GOOGLE organization by analyzing through ratio analysis, comparative balance sheet and common-size balance sheet.
2. To evaluate the trend of efficiency of the organization.
3. To study the working capital management of GOOGLE organization.
4. To offer suggestion for improving the financial performance of the organization.

### **Research Methodology**

To achieve the objective following methodology has been adopted

#### **Data**

The study is based on the secondary data, collected from the published annual reports of the concern, consisting of annual profit and loss account, balance sheets, auditors’ reports, directors’ report and other figures of the GOOGLE organization.

#### **Period of the Study**

The study covers a period of ten years from 2006 to 2015 which is done during 2015-2016.

#### **Tools Used For Analysis**

The following tools have been used

- ◆ RATIO ANALYSIS
- ◆ COMPARATIVE BALANCE SHEET
- ◆ COMMON-SIZE BALANCE SHEET
- ◆ TREND ANALYSIS
- ◆ WORKING CAPITAL MANAGEMENT

#### **Limitation of the Study**

- The study covers only 10years ranging from 2006 to 2015
- This study is based on the secondary data taken from published annual reports, website of the GOOGLE organization and its findings depends upon the accuracy of such data.
- In this study primary data are not used and time factors are also considered to be a constraint.
- Many inferences were drawn by applying the rule of thumb, omitting the risk factors involved. But the rule of thumb is not a foolproof measure for judging the soundness of the company.
- The analysis is made by means of using the historical information. This may not be adoptable ion future due to the inherence of external exigencies.

### **CHAPTER SCHEME**

Chapter 1: It consists of introduction of the study of financial performance, objectives of the study, research methodology of the study, limitations of the study and chapter scheme.

Chapter 2: It deals with literature review.

Chapter 3: It deals with profile of the Google organization.

Chapter 4: It shows analysis and interpretation of data collected.

Chapter 5: It provides the findings and suggestions, conclusion.

## II. REVIEW OF LITERATURE

It deals with 35 literature of review on the basis of university projects, articles and journals.

## III. PROFILE OF THE GOOGLE ORGANIZATION

### Google’s Mission Is To Organize The World’s Information And Make It Universally Accessible And Useful

Our company has packed a lot into a relatively young life. Since Google was founded in 1998, we’ve grown to serve millions of people around the world.

Founders Larry Page and Sergey Brin met at Stanford University in 1995. By 1996, they had built a search engine (initially called BackRub) that used links to determine the importance of individual webpages.

#### GOOGLE INC.

Larry and Sergey named the search engine they built “Google,” a play on the word “googol,” the mathematical term for a 1 followed by 100 zeros. Google Inc. was born in 1998, when Sun co-founder Andy Bechtolsheim wrote a check for \$100,000 to that entity which until then didn’t exist.

#### GOOGLE FACTS

- **Founded**-1998 and **Founders**-Larry Page and Sergey Brin
- **Incorporation**-September 4, 1998
- **Initial public offering (NASDAQ)**-August 19, 2004
- **Headquarters** -1600 Amphitheatre Parkway, Mountain View & CA 94043

## IV. ANALYSIS AND INTERPRETATION

### ◆ RATIO ANALYSIS

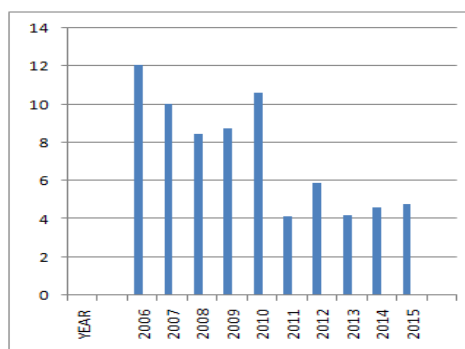
#### Current Ratio

Current ratio may be defined as the relationship between current assets and current liabilities. This ratio is also known as working capital ratio.

$$\text{CURRENT RATIO} = \frac{\text{CURRENT ASSETS}}{\text{CURRENT LIABILITIES}}$$

#### CURRENT RATIO

YEAR	CURRENT ASSETS	CURRENT LIABILITIES	CURRENT RATIO
2006	900000	74538	12.07:1
2007	1304000	130000	10.03:1
2008	1729000	204000	8.47:1
2009	2018000	230000	8.77:1
2010	2917000	275000	10.6:1
2011	4156000	1000000	4.16:1
2012	5276000	891000	5.92:1
2013	6045000	1434000	4.2:1
2014	7289000	1591000	4.58:1
2015	8069000	1681000	4.8:1



SOURCE: ANNUAL REPORT

#### INTERPRETATION:

The above table shows the current ratio of the GOOGLE Organization. The rule of thumb for current ratio is 2:1. From the above table, we find that the current ratio position is satisfactory in all the 10 years. It starts with 12.07:1 in the I year (i.e.) 2006. From the II year onwards, there is a decrease in the ratio. This shows that the current ratio position of the company is quite satisfactory. The instable current ratio position is because of the decrease in inventory and account payable throughout the study period.

### ◆ COMPARATIVE BALANCE SHEET (2006-2007)

PARTICULARS	2006	2007	ABSOLUTE CHANGES	PERCENTAGE
<b>ASSETS:</b>				
CURRENT ASSETS	900000	1304000	404000	44.89%
FIXED ASSETS	96200	240000	143800	14.9%
OTHER ASSETS	30900	303900	272100	8.8%
<b>TOTAL ASSETS</b>	<b>1027100</b>	<b>1847000</b>	<b>819900</b>	<b>79.82%</b>
<b>LIABILITIES:</b>				
EQUITY SHARE CAPITAL	942000	1704000	762000	80.89%
DEFERRED TAXES	4500	6100	1600	35.5%
LONG-TERM LOANS	6100	6900	800	13.11%
CURRENT LIABILITIES	74500	130000	55500	74.49%
<b>TOTAL LIABILITIES</b>	<b>1027100</b>	<b>1847000</b>	<b>819900</b>	<b>79.82%</b>

**INTERPRETATION**

- I. The comparative balance sheet of the company reveals during 2007 The current assets have increased by 404000 (i.e.) 44.89%. On the other hand, there has been an increase in current liability by 55500 (i.e.) 74.49%. This further confirms that the organization has raised long-term finances even for the current asset resulting into an improvement in the liquidity position of the organization.
- II. The capital of the firm has increased than the year 2007 to 80.89%. But the long term loans of the firm decreased by 13.11%. The deferred tax rate has increased to 35.5% than the year 2007. Most of the liabilities have shown an increase, and thus has not been a simultaneous growth in assets.
- III. The overall financial position of the company is satisfactory.

◆ **COMMON-SIZE BALANCE SHEET (2006-2007)**

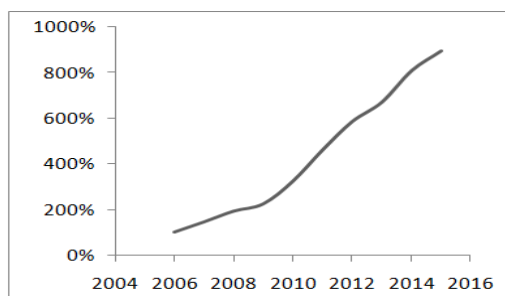
PARTICULARS	2006	%	2007	%
<b>ASSETS:</b>				
Current assets	900000	87.62%	1304000	70.6%
fixed assets	96200	9.366%	240000	12.9%
Other assets	30900	3.008%	303900	16.4%
<b>TOTAL ASSETS</b>	<b>1027100</b>	<b>100%</b>	<b>1847000</b>	<b>100%</b>
<b>LIABILITIES:</b>				
Equity share capital	942000	7.25%	1704000	7.038%
Deferred taxes	4500	0.438%	6100	0.33%
Long-term loans	6100	0.59%	6900	0.37%
Current liabilities	74500	91.71%	130000	92.25%
<b>TOTAL LIABILITIES</b>	<b>1027100</b>	<b>100%</b>	<b>1847000</b>	<b>100%</b>

**INTERPRETATION**

1. The current assets have increased in the year 2006 to 87.62% and current liabilities also increase to 7.25% in the same year. So the liquidity position of the company has not satisfied because of decrease in the year 2007.
2. The fixed assets has increase in the year 2007 by 12.9% and as same for the other assets has increased to 16.4%, compared in the year 2006.
3. Both the years are good in financial position and the company has improving year by year.

◆ **TREND OF CURRENT ASSETS**

YEAR	RUPEES	PERCENTAGE
2006	900000	100%
2007	1304000	144.88%
2008	1729000	192.11%
2009	2018000	224.2%
2010	2917000	324.1%
2011	4156000	461.7%
2012	5276000	586.2%
2013	6045000	671.6%
2014	7289000	809.5%
2015	8069000	896.5%



BASE YEAR 2006-2007

### INTERPRETATION

Trend analysis for current asset is 100 for base year and it has increased to 144.88% in the year 2007. In the years 2008 and 2009 it has slightly increased to 192.11% and 224.2% there was further increased in the year 2010 to 324.1%. In the year 2011 there is an increase to 461.7%. There is a further increase to 586.2% and 671.6% in the years 2012 and 2013. In the years 2014 and 2015, there is an increased to 809.8% and 896.5%. Therefore the current assets position of the firm is satisfactory.

#### ◆ STATEMENT OF CHANGES IN WORKING CAPITAL (2006-2007)

PARTICULARS	2006	2007	EFFECT ON W.C	
			INCREASE	DECREASE
<b>CURRENT ASSETS:</b>				
Cash	388000	354000	-	34000
Marketable securities	416000	770000	354000	-
Other current assets	96000	180000	84000	-
<b>TOTAL CURRENT ASSETS</b>	<b>900000</b>	<b>1304000</b>		
<b>CURRENT LIABILITIES:</b>				
Bills payable	11557	21116		
Accrued expenses	52893	98790	-	9559
Other current liabilities	10050	10094	-	45897
<b>TOTAL CURRENT LIABILITIES</b>	<b>74500</b>	<b>130000</b>	-	44
Working Capital	825500	1174000		
NET INCREASE IN W.C	348500	-	-	-
			-	348500
	<b>1174000</b>	<b>1174000</b>	<b>438000</b>	<b>438000</b>

### INTERPRETATION

The above table shows the working capital for the year 2006-2007. It indicates that in current assets there is an increase in marketable securities and other current assets but there is a decrease in cash during the year. Whereas in current liabilities there is a decrease in all item (i.e.,) Bills payable, Accrued expenses and other current liabilities in the year 2007. Finally there is an increase in net working capital of Rs. 3, 48,500 during the year 2007 when compared with 2006.

Therefore the working capital has increased the liquidity position of the firm. Further it may lead to profits of the firm. Hence the working capital of the year 2006-2007 is quite good.

## IV. FINDINGS, SUGGESTIONS AND CONCLUSION

### FINDINGS

#### RATIO ANALYSIS

- ✓ The current ratio is quite satisfactory, the liquid ratio is unsatisfactory and the absolute liquid ratio is good
- ✓ The working capital ratio is quite satisfactory
- ✓ The debt equity ratio, funded debt to total capitalization ratio and fixed assets to total long term funds of the company is quite satisfied
- ✓ The proprietary ratio, solvency ratio, fixed assets ratio and ratio of current assets to proprietors funds of the firm is in good position
- ✓ The gross profit ratio, net profit ratio, operating profit ratio of the company is unsatisfactory
- ✓ The operating ratio and expense ratio of the firm is satisfactory
- ✓ The net worth position of the firm is in unfair position
- ✓ The total investment to long term liabilities and ratio of current liabilities to proprietary funds is in unfair position
- ✓ The ratio of reserve to equity capital is in fair position

#### COMPARATIVE BALANCE SHEET

- ✓ Comparative balance sheet of the company in the year 2006-2007, 2008-2009 and 2011-2012 are satisfactory.
- ✓ Comparative balance sheet of the company in the year 2010-2011 and 2012-2013 are not satisfactory.
- ✓ Comparative balance sheet of the company in the year 2007-2008, 2009-2010, 2013-2014 and 2014-2015 are not satisfactory.

#### COMMON-SIZE BALANCE SHEET

- ✓ Common-size balance sheet of the company in the all years are good in financial position and it has improving year by year

### **TREND ANALYSIS**

- ✓ The current assets, total assets and fixed assets of the company is satisfactory
- ✓ The current liabilities and total liabilities of the company are good in position but at the same time it increases the responsibilities of the concern
- ✓ The shareholders fund and long term loan of the company are quite satisfied
- ✓ The net sales , gross profit and net profit of the company are in good position

### **WORKING CAPITAL MANAGEMENT**

- ✓ Working capital management of the company in the year 2006-2007, 2012-2013 and 2014-2015 is quite good
- ✓ Working capital management of the company in the year 2007-2008, 2008-2009, 2009-2010, 2010-2011, 2011-2012 and 2013-2014 is satisfactory.

### **SUGGESTIONS**

- ✓ The overall profitability ratio if the company has to improve to meets its profit level
- ✓ The comparative balance sheet of the company in certain years has to improve to overcomes the total assets
- ✓ The working capital is not sufficient. The company should take necessary measures for maintaining the adequate working capital for future commitment.

### **CONCLUSION**

Financial analysis is the process of determining financial strengths and weaknesses of the company. It is important to control the finance to earn more profit. The study has been undertaken by the researcher on the financial analysis of Google organization in the year 2006 to 2015. The study has been done with the help of ratio analysis, comparative statement analysis, common-size statement, trend analysis and working capital statement. It is concluded that the overall financial position of the company is satisfactory.

### **Research Gap**

As this is newly done report the researcher has got no gap to fill from the previous report. But the researcher laid a platform to other researchers to identify certain parameters which will make an effect on the particular area where others tend to do.

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