NEAR EAST UNIVERSITY 1988

Faculty of Economics and Administrative Science

Department of Business Administration

MAN 400

FINANCIAL STATEMENT ANALYSIS
(AKSU İPLİK DOKUMA VE BOYA APRE FAB. T.A.Ş.)

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INTRODUCTION

In today's global economy, investment capital is always on the move. Through organized capital markets such as the New York stock exchange, investors each day shift billions of investment dollars among different companies, industries, and nations.[1]
And in the aid of those investors the design of financial statements has been set and presented by the publicly owned companies for the assistance of users and stakeholders to identify and maintain the key relationships and trends that will help them clarify and understand how profitable these companies are, how and where do they operate, what are their policies, and what prospects does their investments hold for them.
In this study, the main objective is to explain and present how the financial statements of a publicly owned company are collected as raw material and then put down for analysis in different techniques to produce the critical indicators for investors and students alike to understand about the profitability, liquidity, operating capitals, assets, equities and liabilities, and how all these indicators are calculated and then put in use for investment purposes and legal evaluation of operations.
This study is written for the individuals who wish to learn about the analysis of financial statements for a company and then evaluating the investment and operations for this company. The material in this study is appropriate for the business people and students of business administration and finance. The necessary data required has been collected for the use of different techniques (tools) of financial statement analysis, financial statements for the AKSU company as raw material was collected throw the net, also a constructed time table or a schedule had been given to explain how and at what time this project study will be finished and ready for a presentation.
The study will include a literature survey that will be collected from articles written by professionals in the field of financial statement analysis and quotes from books studied in the fields of financial accounting and financial analysis and management.
This then will be followed by the research methodology used, which is divided in two parts;

1. The theoretical base, which will contain the theoretical methodology and techniques that will be used in the study.

[1] F. Meigs, R. Williams, F. Haka, S. Bttner (2000), **Accounting the basis of business decision-11th ED.** Irwin/Mc Grow Hill. Page 610,3rd paragraph.

2. The empirical application of the methodology suggested for the analysis of the study, this will include the application of the theories, methods, and the techniques(tools) to the case selected company's financial statements. The collection of the data and its analysis will be the main empirical part of this project while methods and techniques will end at the early stage of this project.
3. The AKPID symbol in this assignment signifies the stock held in the Turkish Istanbul Bursa stock market, which is the center subject for this study. The AKPID is a short for the name AKSU İPLİK DOKUMA VE BOYA APRE FAB. T.A.Ş, one of the first textile founded companies in turkey and a publicly owned company with other sister companies not included in the statements as a result of a different industrial modification and thus not included in the study.

The financial statements of AKSU will be given as raw material for the construction of the analysis study, this material will include the last five years performance and the industry averages to create an over all picture and to reach a conclusion that will stand as a properly prepared evaluation for the AKSU performance.

The study is going to be presented in four chapters, starting with the introduction and then followed by the overview for the AKSU company (chosen for this study), which is mentioned above, and the next chapter, which will show and give the research methodology (a literature survey) about the financial statements what are they? Who are their users? Etc. After that, the third chapter will continue the literature of the analysis process and its conduction methodology and tools, used by professionals around the world, in this chapter ratio analysis method and its theoretical part will be given as well as other. The empirical application of the analysis for the AKSU Company will be conducted in the fourth chapter and in this chapter the methods and tools of analysis will be used to prepare calculated numerical relations between financial statements for the last five years and these will be accompanied with findings and results to from the analysis.

A final conclusion and recommendation part will be given to explain the study's results, its strong sides, its lacks and weak points.

This study will also include an appendix for the raw material data collected about the company in the case study as well as a referential part.

I. AN OVERVIEW FOR AKSU İPLİK DOKUMA VE BOYA APRE FAB. T.A.Ş.

1.1 Historical evaluation

Is the first established company within the 27 Akkök group of companies which perform in chemicals, textiles, energy, marketing and management, retailing and, real estate development. In 1952 the late Raif Dinçkök and his partners in Istanbul's Bakirköy district established the company with an initial capital of 2,000,000 TL, which will be Functioning in the woolen and synthetic textile sector, to produce weaving and knitting yarns, fabrics for men's and women swear and blankets. At that time their yearly production capacity was 210 tons, and with only 15 workers.

1.2 Steps of the growth

In 1973, the company started a series of investments on a 400,000 m^2 land in Çerkezköy to became neighbors with its sister company, Dinarsu Imalat ve Ticaret A.S.
Between the years 1980 and 1991, and the incentives achieved then, the company built their vertically integrated fabric and blanket weaving, spinning as well as dyeing and finishing facilities. During those years, their production was in both their Bakırköy and Çerkezköy mills. At the second half of 1991 the company seized their production in Bakırköy and moved the required machinery to teir other mill in Çerkezköy. In the current time the mill in Çerkezköy consists of 5 facilities located on an 85,000 m2 covered area with a 4,200-tons/day for biological water purification facility. And they moved their head office to the location of their sister company Akmerkez in Etiler at the end of 1994, and the 35,000 m^2 land in Bakirköy was turned into storage areas and retail store since then.

1.3 Products and materials

The yarn production consists of 4 qualities, worsted, semi-worsted, woolen and fancy, which vary with raw material compositions and yarn counts.

Aksu's fabric production is separated into two types: woolen and worsted. Some of their yarn is consumed in weaving, dyeing, finishing their fabric and then deliver it as an end-product. Their main raw materials used are wool and acrylic fibers, as well as polyester, linen, nylon, mohair, angora, and cashmere. The wool is imported from Australia and New Zealand, while

the supply of other main raw materials is obtained from the local sister company AKSA Akrilik Kimya Sanayi A.S.
Sales figures in 1999 are in total sales: 53% yarn, 47% fabrics. In the recent years the percentage of fabric sales has grown. Yarn is domestically sold to wholesalers and knitters, fabric to wholesalers, retailers and garment manufacturers, and blankets to retailers. Net sales in 1999 increased to 20 trillion TL from 17 trillion TL in 1998.

1.4 International operation

As the future of turkey's membership in the European Union prospect is growing as an incident in the issue of globalization and the global economy and markets, industrial standards and recognition certification for products has become an essential part of production and recognition license in both national and international markets. AKSU IPLIK DOKUMA VE BOYA APRE FAB. T.A.Ş. has been certified with ISO 9001 in 1994, from SGS YARSLEY, an accredited firm in March 1997 for their performance, OKO-Tex certification in 1998 for yarns and in 1999 for fabrics.
By 1999 exports took up to 27% of total sales, a total of $17,800,000,000. The process was done through their sister company AK-PA Tekstil İhracat Pazarlama A.S. For the products to be sold to 44 countries including England, France, Germany, Italy, Belgium, Spain, Poland, Greece, Canada, U.S.A., Saudi Arabia and Syria. USA is the leading importer for AKSU by 64% of total USED fabric exports. France comes second with 12%, UK third by 5% and Canada fourth by 2%.
In the worsted yarn exports the UK takes the lead with 38% followed by Greece 24% and Poland 14%. Semi-worsted and fancy yarn exports are sold to Belgium 51%, Spain 29% and the UK 13%. By now AKSU exports yarns to 16 different countries.

1.5 Planning for the future

In the year 2000, the company exhibited their fabrics in Paris Texworld, Koln Eurotuch, Hong Kong Interstoff Asia, Iraq Turkish Export Products Fair and Kiev Turkish Exports Products Fair. Later on the company went again to Paris Texworld (28 February-3 March 2001), and (3-6 October 2001), in Iraq Turkish Export Products Fair (7-11 May 2001), Milan Intertex (11-13 September 2001).

For innovations in qualities the company has been working with a new designer for their fabric trends, Mrs. Arzu Kaprol who's a famous designer in Istanbul selling her own women's collection worldwide, plus contacting a new designer for their yarn trends, Miss Ozlem Suer, one of the pioneers for colors and new yarns.

AKSU has also been setting a training budget which involves managerial skills training and upgrading. As well as technological improvements in their mill in Çerkezköy, IT ALSO hosts facilities that embody the most recent technological developments that boosted fabric production from 3 to 5 million meters/year.

II. FINANCIAL STATEMENTS

2.1 Financial statements

Throughout the accounting process and operations of any publicly owned firm, the accounting department undertakes the task of preparing special grouped data gathered from the daily ledger (the record for all transactions representing the firm's operations) for specific time periods (monthly, year quarters, and operations year end) in the form of statements to give any explanation and illustrate a documentation of how the firm is managing and running its operations financially in that period. Those statements are referred to as the financial statements of the firm. The persons receiving these reports are given the term users of financial statements.

One main principle that must be put into consideration, to help give a better understanding of all financial statements is the principle of the business entity, which instates that any economic unit that engages in identifiable business activity and for the purpose of accounting and understanding of financial state, the business is regarded as separate from the personal affairs of its owner.

Users of financial statements

Financial statements of publicly owned firms act as the main resource for the documented information that provide all investors current and potential or shareholders, creditors, government institutions (tax administration, industrial planning offices), students of accounting and financial departments, public and press.

Type of financial statements

In the accounting world there exists a set of financial statements which consists of four related accounting reports that give in a summery the financial resources, obligations, profitability, and cash and cash transactions of a business.

2.2 Balance Sheet

It show for a specific date the financial position of the company in scope, in it the resources of the company, its debts, the amount of the owner's equity (investment) are all instated.

Components of a Balance Sheet:

Assets: Represents future economic benefits.

Liabilities: Represents future economic sacrifices.

Stockholders' Equity: Represents the residual portion of the assets after subtracting liabilities.

How the components are calculated

Assets = Liabilities + Stockholders' Equity

Assets = Current Assets + Investments + Property, Plant, and Equipment + Intangible Assets

Liabilities = Current Liabilities + Long-term Liabilities

Stockholders' Equity = Common Stock + Preferred Stock + Retained Earnings.

2.3 Income Statement

This statement reports the results of operations for the period, indicating the profitability of the business over the time period which it is prepared for.

Components of Income Statement:

Net sales

Cost of goods sold (COGS): value cost of acquiring raw materials.

Revenues: these are generated from the actual operations of the firm (example sales).

Expenses: of financial, operational and tax, administrative functions of the firm.

Net Income = Revenues – Expenses

2.4 statement of owner's equity

This statement explains certain changes in the amount of the owner's equity in the company (in the case of businesses organized as corporations, this statement's term is replaced with the term statement of retained earnings).

Components of the statement of owner's equity:

Common Stock

Preferred Stock

Additional Paid-in Capital (Paid-in capital in excess of par value)

Retained Earnings

2.5 Statement of Cash Flows

The cash flow statement reports cash inflows and outflows during the period, by summarizing the cash receipts and the cash payments of the company over the same time period.

Components of the Statement of Cash Flows

Cash Flows from Operating Activities

Cash Flows from Investing Activities

Cash Flows from Financing Activities

It must be noted that most business organizations prepare classified financial statements in which items of certain characteristics are placed together in a group or classification, for the purpose of developing useful subtotals that will assist the users of the statements in their analysis. In comparative financial statements the financial statement amounts for several years that appear side by side in vertical columns and in this manner assisting the investors in identifying and evaluating significant changes and trends.

For corporations that own other businesses as subsidiaries, they prepare consolidated financial statements that present the financial position and operations results of the mother and its subsidiaries as if they were a single business organization.

III. TOOLS OF ANALYSIS

In the process of conducting the analysis process we must know that financial statements are highly significant in and of themselves, and for that reason it is the relationship to other quantities or the amount and direction that can help us identify changes and trends. For such a fact the use of comparative financial statements for two or more years side by side in columns can provide a continuous compared item for different years. This is called some times horizontal analysis.

Widely used techniques for analysis

3.1 Dollar and percentage changes

This is done by calculating the difference between the amounts for a comparison year and the amount for a base year, while the percentage change is computed dividing the amount of the dollar change between years by the amount for the base year. If a negative amount or a zero amount appears in the base year, a percentage change cannot be computed.

3.2 Horizontal analyses (Trend percentages)

In this technique changes in the financial statement items from year to the following years is done to show the change of direction.

It is done by first selecting a base year then giving that year a weight of 100%, and then second step would be done by expressing the items in the statement for the following years as a percentage of the base year by dividing an item in that year by the same item in the base year.

3.3 Vertical analysis (Component percentages)

It is gives the relative size of each item to a total. This can be taken for the balance sheet and the income statement because each item in the balance sheet can be expressed as a percentage of the total assets, and each item in the income statement can be expressed as a percentage of the net sales.

3.4 Ratio analysis

A ratio is a relationship between two numbers where one is a percentage of the other.

The importance of ratios in understanding and analyzing financial statements lies in the ability of comparing one item from one financial statement to another from another statement for an example the net income to total assets shows us how efficiently the management is using available resources.

- **LIQUIDITY**

Financial ratios in this category measure the company's capacity to pay its debts as they come due.

Current Ratio

Definition: The ratio between all current assets and all current liabilities; another way of expressing liquidity.

Formula: $\frac{\text{Current Assets}}{\text{Current Liabilities}}$

Quick Ratio

Definition: The ratio between all assets quickly convertible into cash and all current liabilities. Specifically excludes inventory.

Formula: $\frac{\text{Cash + Accounts Receivable}}{\text{Current Liabilities}}$

- **SAFETY**

Ratios in this section act as indicators of the businesses' vulnerability to risk. These ratios are often used by creditors to determine the ability of the business to repay loans.

Debt to Equity

Definition: Shows the ratio between capital invested by the owners and the funds provided by lenders.

Formula: $\frac{\text{Debt}}{\text{Equity}}$

Comparison of how much of the business was financed through debt and how much was financed through equity. For this calculation it is common practice to include loans from owners in equity rather than in debt.

Debt coverage ratio

Definition: Indicates how well your cash flow covers debt and the capacity of the business to take on additional debt.

Formula: $\frac{\text{Net Profit + Non-cash expenses}}{\text{Debt}}$

Shows how much of your cash profits are available to repay debt.

- **PROFITABILITY**

The ratios in this section measure the ability of the business to make a profit.

Sales Growth

Definition: Percentage increase (or decrease) in sales between two time periods.

Formula: $$\frac{\text{Current Year's sales - Last Year's sales}}{\text{Last Year's sales}}$$

If overall costs and inflation are on the rise, then you should watch for a related increase in your sales if not, then this is an indicator that your Prices are not keeping up with your costs.

COGS to Sales

Definition: Percentage of sales used to pay for expenses which vary directly with sales.

Formula: $$\frac{\text{Cost of Goods Sold}}{\text{Sales}}$$

Analysis: Look for a stable ratio as an indicator that the company is controlling its gross margins.

Gross Profit Margin

Definition: Indicator of how much profit is earned on your products without consideration of selling and administration costs.

Formula: $$\frac{\text{Gross Profit}}{\text{Total Sales}}$$

Where Gross Profit = Sales- Cost of Goods Sold

Net Profit Margin

Definition: Shows how much profit comes from every dollar of sales.

Formula: $$\frac{\text{Net Profit}}{\text{Total Sales}}$$

Return on Equity

Definition: Determines the rate of return on your investment in the business. As an owner or shareholder this is one of the most important ratios as it shows the hard fact about the business, are you making enough of a profit to compensate you for the risk of being in business?

Formula: $$\frac{\text{Net Profit}}{\text{Equity}}$$

Return on Assets

Definition: Considered a measure of how effectively assets are used to generate a return. (This ratio is not very useful for most businesses.)

Formula: $\dfrac{\text{Net Profit}}{\text{Total Assets}}$

- **EFFICIENCY**

Indicator of how efficiently the company manages its assets, also called Asset Management ratios.

Days in Inventory

Definition: This calculation shows the average number of days it will take to sell your inventory (number of days sales @ cost in inventory).

Formula: $\dfrac{\text{Average Inventory}}{\text{Cost of Goods Sold}} \quad X \quad 360 \text{ days}$

Inventory Turnover

Definition: Number of times that you turn over (or sell) inventory during the year.

Formula: $\dfrac{\text{Cost of Goods Sold}}{\text{Average Inventory}}$

Sales to Total Assets

Definition: Indicates how efficiently your business generates sales on each dollar of assets.

Formula: $\dfrac{\text{Sales}}{\text{Total Assets}}$

3.5 Standards for comparison

When using the techniques of analysis, a standard for comparison must be set to compare against because it will help in the judging if the relationship is favorable or not. Examples for these standards:

- The past performance for the company.

A comparison of a certain year with the prior years to it will show whether the condition of business is improving or getting worsening.

Estimates of future can also be conducted by projecting past trend into the future but that is done with risk involved. Also future projection may not be of relevance if evidence of contradiction to the projection is indicated.

- the performance of other companies.(industry standard)

Another benchmark for comparison could extend the limitations of the horizontal analysis, this is done by calculating industrial standard or average of several companies in the same industry for the same items and same periods and then compared against, so if the company's own item for example revenue is exceeding the average then the company is performing favorably and if the opposite exists then visa versa.

The comparison against an industry standard can provide a reasonable result only when the companies compared against are diversifying their operation in the same manner in which the company in consideration is doing so.

Quality of earnings

This concept arises because each company's management often is under heavy pressure to report rising earnings because they are the livelihood of a business entity, and accounting policies maybe tailored toward this objective. So in judging the quality of earnings, expenses, inventory valuation methods and depreciation policies the financial analysis should consider whether the accounting principles and methods selected by management lead to a conservative measurement of earnings or tend to inflate reported earnings. And as the interest here is concentrated on the rate of earnings on sales, total assets, and owner's equity, and then there must also be a concentrated look at the stability and the sources of earnings and other factors in the financial statements.

Quality of assets and the relative amount of debt

The good and steady level of earnings maybe a good indication for long-run dept and dividend payment ability, but that alone will have its weak sides to express the business assets strength and speed of liquidity. So a look at the composition of assets, their condition and liquidity, the timing of repayment of liabilities, and the total amount of debt outstanding because the profitability of the company does not mean it s ability to pay for liabilities on time, or sales and earning maybe appearing satisfactory but the plant and equipments maybe deteriorating because of poor maintenance policies, patents maybe expiring, a big dept may often leave the company vulnerable to increases in the interest rates and to even reductions in cash inflows.

The impact of inflation

To reflect fully the economic resources of the real income in terms of purchasing power of a firm when the analysis is undertaking the costs, it is recommended that the impact of inflation is included to show and express the real values in the comparison process.

IV. FINANCIAL STATEMENT ANALYSIS FOR AKSU

In this chapter, which represents the empirical work part in this study the actual analysis for financial statements of AKSU Company (appendix) will be given in table forms.

4.1 Findings

The analysis results for the following tools are:

a. **Dollar and percentage change in sales and earnings**

Figure 4.1

	2001	2000	1999	2001 over 2000 amount	2001 over 2000 %	2000 over 1999 amount	2000 over 1999 %
net sales	57.179.289	34.672.410	23.428.747	22.506.879	65	11.243.663	48
net income	962.989	258.904	9.241	704.084	272	249.663	2702

The dollar and percentage change indicate a two fold increase in sales of (22.506.879 in millions of TL) for the period 2001 and 2000 than the sales increase in 2000 and 1999(11.243.663 in millions of TL), but the percentage change indicates a 17% difference only. That can result from the shift in base from 1999 to 2000.

The growth in sales was followed with a growth in net income but the growth was massive in 2000 and the percentage high value is representing that period has mush to 1999 low net income as a base for that period.

Figure 4.2

	1999	1998	1997	1999 over 1998 amount	1999 over 1998 %	1998 over 1997 amount	1998 over 1997 %
net sales	23.428.747	16.787.747	11.999.319	6.641.000	39	4.788.428	40
net income	9.241	541.324	652.590	532.083	(98)	111.266	(17)

Sales were also increasing in these periods 1999 and 1998, 1998 and 1997 but the net income for these early periods was decreasing which might indicate loss in the market share for the company.

AKSU seems to be again fluctuating around the industry average and here this ratio's results the previous ratios results of efficient sales of inventory. This ratio also has much to do with the used system of inventory valuation.

	2001	2000	1999	1998	1997
Net Profit	962.989	258.904	9.241	541.324	652.590
Total Sales	57.179.289	34.672.410	23.428.747.	16.787.747	11.999.319
Net Profit Ratio	1.7%	0.7%	0.04%	3.2%	5.4%
industry	1.85%	1.2%	3%	3%	4.7%

AKSU's net profits are low when compared to the industry, and that may not serve in investors' attraction. Again, in this ratio's results the year 1999 low profitability is demonstrated and showing a slow recovery in terms of net profit. This ratio is certainly not favorable for/by AKSU.

	2001	2000	1999	1998	1997
Net Profit	962.989	258.904	9.241	541.324	652.590
Equity	23.918.734	16.608.802	12.729.065	10.379.968	5.454.876
Return on Equity	4%	1.5%	0.07%	5.2%	12%
industry	3.8%	1.3%	3%	5.3%	8%

1999 affected the investment attraction at a very negative rate, because if we look at the investment table we will notice the 2000 investments were extremely low when compared to other years. This ratio shows how low return on equity had been in that year, other wise AKSU's return on equity fluctuates around the industry's average.

	2001	2000	1999	1998	1997
Average Inventory X 360 days	12.248.445 x 360	7.544.345 x 360	4717523 x 360	3.088.639 x 360	2.213.431 x 360
Cost of Goods Sold	38.121.946	29.969.862	17.725.817	12.181.959	8.818.448
Days in Inventory	115.7 days	91 days	96 days	91.3 days	90.4 days
Industry	107 days	97.3 days	93.2 days	94 days	98 days

The days spent by products in AKSU's inventory are generally less than those of other companies' products, indicating an efficient management of inventory, but that all depends on the system AKSU is using to valuate their inventory(FIFO, LIFO)

	2001	2000	1999	1998	1997
Cost of Goods Sold	38.121.946	29.969.862	17.725.817	12.181.959	8.818.448
Average Inventory	12.248.445	7.544.345	4.717.523	3.088.639	2.213.430
Inventory Turnover	3	4	3.8	4	4
industry	3.1	3.7	4.1	3.2	4

	2001	2000	1999	1998	1997
Current Year's sales - Last Year's sales	22.506.879	11.243.663	6.641.000	4.788.428	7.574.153
Last Year's sales	34.672.410	23.428.747	16.787.747	11.999.319	4.494.340
Sales Growth	102%	80%	72%	90%	66%
Industry	89%	80.3%%	80.5%	82%	81.6%
Inflation	32,7 %	62,9%	54,3 %	54,3%	91,0%

Sale for AKSU has suffered an 18% decrease in 1999 but as recovers in 2000 and pick up in 2001. AKSU is in a strong position in 2001and appears to be gaining further market shares because the sales growth rate exceeds industry averages, but when compared with the inflation rate, the sale increase in 2001 seem to be resulting from inflation rate and even decreasing because increase in sales from 2000 to 2001 is only 22% while inflation rates at 32.7% of price increase.

	2001	2000	1999	1998	1997
Cost of Goods Sold	38.121.946	29.969.862	17.725.817	12.181.959	8.818.448
Sales	57.179.289	34.672.410	23,428.747	16.787.747	11.999.319
COGS to Sales	67%	86%	76%	72.5%	73.5%
industry	71%	84%	76.5%	65%	71%

This ratio could be favoring AKSU's in the period after the year 1999 because their the company seems to be maintaining a close to industry average and in 2001 the company decreases that average when compared to the industry average.

	2001	2000	1999	1998	1997
Gross Profit	19.057.343	7.702.548	5.702.930	4.605.788	3.180.871
Total Sales	57.179.289	34.672.410	23.428.747.	16.787.747	11.999.319
Gross Profit Rate	33%	22%	24%	27%	26.5%
industry	23%	21.3%	25.5%	27.6%	32%

This ratio is a good ratio for AKSU as rate for the company is exceeding the industry average or just coming a fraction lower in the 1999 (lowest net profit year). It also indicates that the company is generating a good return for sales if COGS and administrative expenses are not considered, thus giving the management a clue on where improve policies (decrease administrative and/or COGS) to improve there profitability.

d. Ratio analysis

In conducting ratio analysis for AKSU, the same ratios were calculated for VAKKO textiles, AKIN textiles, CEYLAN Giyim, ARSAN textile, and then an average for the four was calculated by adding together their ratios and dividing the result by four. This average will be used as an industry average for the comparison of performance purpose, and to give AKSU's ratios a meaning when found and used.

	2001	2000	1999	1998	1997
Current Assets	36.854.588	21.081.156	15.607.678	10.634.717	5.890.606
Current Liabilities	17.769.697	8.642.186	4.626.320	2.880.176	2.189.660
Current Ratio	2.1	2.4	3.4	3.7	2.7
industry	2.1	2.5	3.6	3.6	2.8

As a measure of the short term dept payment ability the current ratio for AKSU is generally fluctuating around the industry average, which is not necessarily good news for short term creditors but still being close to the industry average in the textile industry with the large competition in turkey gives the company a good performance.

	2001	2000	1999	1998	1997
Cash + Accounts Receivable	24.606.143	13.536.811	10.890.155	7.546.078	3.677.176
Current Liabilities	17.769.697	8.642.186	4.626.320	2.880.176	2.189.660
Quick Ratio	1.4	1.6	2.35	2.6	1.7
industry	1.3	1.5	2.4	2.3	1.7

AKSU's quick ratio is some what compensating for the for the short-term paying ability, as the company's quick ratio came only a fraction short of their industry average. And that was in 1999 a year which financial and operating expenses had large effect on earnings as mentioned above in table (4.5).

	2001	2000	1999	1998	1997
Debt	18.340.839	14.043.316	9.172.096	5.295.936	3.135.179
Equity	23.918.734	16.608.802	12.729.065	10.379.968	5.454.876
Debt to Equity	77%	85%	72%	51%	57%
industry	80%	83%	80%	71.5%	66.3%

This ratio's results indicate a high dependence on funds from lenders in the industry, but AKSU's management may favor to decrease their borrowings and that could be in favor of AKSU. But judging the recent economic conditions of instability in Turkey the decrease of this dependence on borrowed funds may further secure the company from currency or interest rates instabilities.

Evaluating trend percentages in sales and earnings

Figure 4.3

	2001	2000	1999	1998	1997
net sales	475	289	195	140	100
net income	147.5	40	1.4	83	100
Inflation rates for given years	32,7	62,9	54,3	54,3	91,0

The trend in the figure () indicates a consistent growth in sales of 187% for 2001and 2000, 95% for 2000and 1999, and 55for 1999 and 1998, 40% for 1998and 1997, but when compared with the inflation rates for these years we could say that sales truly started picking up at 1998 and continued up hill and double folding, Income on the other hand had dropped in 1998 but in 1999 suffered a massive drop to later on pickup a 40% in 2000 and then continue in an even better margin of 107%.

Component percentages in table (4.4) show a decrease in COGS from 1997 to 1998 by 2.6%, met on the other hand by an increase in operations expense by 4.5%, an increase in financial expenses by 0.6%, and a decrease in the tax obligations by 0.5% as a percent of the gross sales, yielding a fall in 1998 net income to 3.2 of the gross sales.

c. Horizontal analysis (Trend percentages) tables

Table 4.5

AKSU İPLİK DOKUMA VE BOYA APRE FAB. T.A.Ş.
Income statement (trend percentages)
2001-199

	2001	2000	1999	1998	1997
gross sales	474	288.5	195	141	100
sales discounts(-)	269	255	148	210	100
net sales	475	289	195	140	100
cost of sales(-)	432	340	201	139	100
gross profit	599	242	179	145	100
operation expenses(-)	582	384	276	189	100
gross profit from operations	619	92	77	98	100
income & profit from other operation	146	313	353	148	100
expenses & losses from other operation(-)	133	101	83	71.5	100
financial expenses(-)	1815	345	509	161	100
profit from operations	169	76	13	104	100
extraordinary income & profits	1105	279	483	99.6	100
extraordinary expenses & losses(-)	286	43	760	157	100
income before tax and other statutory obligations(-)	190	81.5	18.5	104	100
taxes and other statutory obligations(-)	252	143	44	134	100
net income	147.5	40	1.4	83	100

In table (4.5) the base year is 1997 which is a low base, thus resulting in large percentages representing the years to follow operations.

One year 1999 stands in table (4.5) stands with percentages clearly representing a sharp decrease in profits form the bas year 1997, profit decrease reaches up to 98.6%, and this decrease maybe offset by an increase of COGS by 101% from base year, a decrease in operations expenses by 176% from base year, and a heavy financial expenses increase by 409% from the base year, also the same year's (1999) sales trend percentage was increasing by 95% which appears not be enough to compensate for the mentioned percentages.

percentage of sales. We can also see a drop in tax expense by 5%, all these contributed to pushing net income a higher rate of 0.6 of gross sales.

Table 4.3

AKSU İPLİK DOKUMA VE BOYA APRE FAB. T.A.Ş.
Income statement (component percentages)
1999-1998

	1999	1998	1999	1998
gross sales	**23.618.240**	**17.056.610**	**100%**	**100%**
sales discounts(-)	(189.493)	(268.863)	1%	1.6%
net sales	**23.428.747**	**16.787.747**	**99.2%**	**98.4%**
cost of sales(-)	(17.725.817)	(12.181.959)	75%	71.4%
gross profit	**5.702.930**	**4.605.788**	**24%**	**27%**
operation expenses(-)	(4.510.926)	(3.096.084)	19%	18%
gross profit from operations	**1.192.004**	**1.509.007**	**5%**	**9%**
financial expenses(-)	(2.244.684)	(711.515)	9.5%	4.2%
profit from operations	**142.590**	**1.125.057**	**0.6%**	**6.6%**
extraordinary income & profits	126.550)	26.122	0.5%	0.15%
extraordinary expenses & losses(-)	(65.822)	(13.612)	0.3%	0.1%
income before tax and other statutory obligations	**203.318**	**1.137.567**	**1.04%**	**7%**
taxes and other statutory obligations(-)	(194.077)	(596.243)	1%	3.5%
net income	**9.241**	**541.324**	**0.04%**	**3.2%**

In table(4.3) and by looking at the component percentages only we notice a fall in the net income which was offset by an increase in COGS by a 4.6%, an increase in financial expenses by 5.3%, an increase in operating expenses by 1.1% although taxes dropped by 2.5% of gross sales.

Table 4.4

AKSU İPLİK DOKUMA VE BOYA APRE FAB. T.A.Ş.
Income statement (component percentages)
1998-1997

	1998	1997	1998	1997
gross sales	**17.056.610**	**12.127.477**	**100%**	**100%**
sales discounts(-)	(268.863)	(128.158)	1.6%	1%
net sales	**16.787.747**	**11.999.319**	**98.4%**	**99%**
cost of sales(-)	(12.181.9590	8.818.448	71.4%	73%
gross profit	**4.605.788**	**3.180.871**	**27%**	**26.2%**
operation expenses(-)	(3.096.084)	(1.636.0840	18%	13.5%
gross profit from operations	**1.509.007**	**1.544.787**	**9%**	**13%**
financial expenses(-)	(711.515)	(440.695)	4.2%	3.6%
profit from operations	**1.125.057**	**1.080.194**	**6.6%**	**9%**
extraordinary income & profits	26.122	26.209	0.15%	0.2%
extraordinary expenses & losses(-)	(13.612)	(8.654)	0.1%	0.1
income before tax and other statutory obligations	**1.137.567**	**1.097.749**	**7%**	**9%**
taxes and other statutory obligations(-)	(596.243)	(445.159)	3.5%	4%
net income	**541.324**	**652.590**	**3.2%**	**5.4%**

CONCLUSION AND RECOMMENDATIONS

Financial statements can be considered the clues and evidence while the analyst is the detective running through them to try and identify the conditions, circumstances, and facts that solve the mystery in hand, or just like the forensics' analyst searching in the DNA to trying to point out what exactly happened. Financial statement analysis is thrilling, exciting and sometimes quite routine like but that happens only when found results are not guiding or showing what happened.

The tools used in the study are some what principle and fundamentals in the analysis process because the start pointing fingers at events and reasons for good or bad performance to help improve future performance of companies.

Textile industry anywhere is not a new industry or a new technology in which little competitions is found, and it is not an industry which dies or is replaced by new substitutes at least until our present day. Textiles are also considered an art or a field for wild creativities for many of the professionals and the rich. Economically it's considered an industry for the long term investment.

Turkey has a total of 40 registered companies working in the textile industry, these companies differ in the operations, and in materials they produce, some of these act as suppliers of raw materials for the production of end products and some produce different stiles of finalized products, they also differ in the aria in which they operate (either in the national market, regional market, or international markets).

AKSU, the company in focus is operating in the national market with fifteen competitors. AKSU is ranked as the 9th in term of yearly returns over the 40 registered companies, with two main lines of products fabric and yarn.

Turkey has been witnessing high inflation rates for a very long period and in February in the year 2000 a depression caused a major slow down in the internal market and in the investor confidence for investing in Turkey and the fear of high risk had denied many companies to further improve their positions in the market and this happened in many industrial sectors, Textile industry was one of these sector but managed to come out of it earlier than others

In the past five years AKSU had suffered a major fall and net income and total returns in the year 1999 that was setoff by a massive increase in their financial expenses and a partially high operations expense trend percentage. This fall had a great effect on the attractiveness of the companies stock as a potential investment, which had decreased the total invested amount in dollars to its lowest, ever value of $61.538 in the following year of 2000. This event had mostly affected the company's policy on increasing sales but that too had been giving slow results as the Turkish economy tries to recover from the currency devaluation that occurred in February 2000, which later on pushed prices up ahead of wages in the country, and in that period AKSU must have suffered from depression as sales growth climbed but didn't out passé the inflation rate. That sales record must have been monitored by investors though an even favored because if compared with competition, the performance is some what good and the proof for that may lye in the invested amount of 2000 as the amount invested reached $ 2.076.867.

AKSU's performance in period 1997 and 1998 was not a steady course as well because then their return on equity and net profit were slumping down gradually before suffering the big blow in 1999. AKSU is working so far on improvements on sale as mentioned earlier; international exports increase might be one of the main directions in which the company might be using to solve the slow sales growth in the internal market. As mentioned in the company's overview we know that AKSU is increasing its export operation gradually, this maybe a great management strategy if they are using it, by converting some percentage of the sales expense of the internal market to the international market.

AKSU position is not a secure one, not because of their performance but because of the high number competitors, for AKSU to improve their position the gain of extra market share is necessary but it is to be done through the increase of sale then AKSU must develop or manage their COGS and try to decrease their costs by creating a value chain or taking low cost and long term supplier contracts or they can design a foreign currency reserve that if managed in the right way may help safe guard their operations.

Pursue of profit being the main objective for all businesses, AKSU may try best to decrease or maintain their operation expenses because they fluctuate rapidly and not in a certain direction.

From the results of this study and from the theoretical section, it recommended that all multiple product companies prepare multiple financial statements for their products because this pushes forward the better understandings of the company's and helps identify with accuracy which product line is less profitable and where exactly and when loses occur.

An other recommendation is for future preparations of studies similar to the this one a contact with the company in focus is more resourceful either through email or by fax, and that can be guided through the department system.

Another recommendation is that the earlier system for the preparation of this type of graduation study was much more related the general nature of the business administration department, when the study was prepared by studying the company as a hole.

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APPENDIX

Table A.1

AKSU İPLİK DOKUMA VE BOYA APRE FAB. T.A.Ş.
Comparative income statement
2001-1997

	2001	2000	1999	1998	1997
gross sales	**57.523.840**	**34.999.328**	**23.618.240**	**17.056.610**	**12.127.477**
sales discounts(-)	-344.551	-326.918	-189.493	-268.863	-128.158
net sales	**57.179.289**	**34.672.410**	**23.428.747**	**16.787.747**	**11.999.319**
	-	-	-		
cost of sales(-)	38.121.946	29.969.862	17.725.817	-12.181.959	-8.818.448
gross profit	**19.057.343**	**7.702.548**	**5.702.930**	**4.605.788**	**3.180.871**
operation expenses(-)	-9.512.515	-6.284.205	-4.510.926	-3.096.084	-1.636.084
gross profit from operations	**9.544.828**	**1.418.343**	**1.192.004**	**1.509.007**	**1.544.787**
income & profit from other operation	6.564.719	1.403.940	1.587.450	666.004	449.085
expenses & losses from other operation(-)	-6.287.914	-476.553	-392.180	-338.439	-472.983
financial expenses(-)	-7.999.953	-1.520.857	-2.244.684	-711.515	-440.695
profit from operations	**1.821.680**	**824.873**	**142.590**	**1.125.057**	**1.080.194**
extraordinary income & profits	289.644	73.225	126.550	26.122	26.209
extraordinary expenses & losses(-)	-24.793	-3.740	-65.822	-13.612	-8.654
income before tax and other statutory obligations	**2.086.531**	**894.388**	**203.318**	**1.137.567**	**1.097.749**
taxes and other statutory obligations(-)	-1.123.542	-635.484	-194.077	-596.243	-445.159
net income	**962.989**	**258.904**	**9.241**	**541.324**	**652.590**

Table A.2

AKSU İPLİK DOKUMA VE BOYA APRE FAB. T.A.Ş.
DIVIDEND & INCREASE IN CAPITAL(1996-2000)

	Dividend	Total Increase(%)	Stock Split (%)	Bonus Share (%)
1996	55%	50%	30%	20%
1997	30%	30%	-	30%
1998	10%	135%	74%	61%
1999	-	10%	10%	-
2000	-	-	-	-

Table A.3

AKSU İPLİK DOKUMA VE BOYA APRE FAB. T.A.Ş.
INVESTMENTS (1996-2000)

YEAR	TOTAL INVESTMENT
1996	$ 7.100.705
1997	$ 2.538.963
1998	$ 4.022.786
1999	$ 61.538
2000	$ 2.076.867

Table A.4

AKSU İPLİK DOKUMA VE BOYA APRE FAB. T.A.Ş.
Comparative Balance sheet
2001-1997

	2001	2000	1999	1998	1997
ASSETS					
current assets	36.854.588	21.081.156	15.607.678	10.634.717	5.890.606
inventories	12.248.445	7.544.345	4.717.523	3.088.639	2.213.430
Non-current assets	10.550.985	9.580.962	6.293.483	5.041.187	2.699.449
financial fixed assets	2.081.100	1.637.835	834.830	696.154	312.960
tangible fixed assets	8.207.337	7.942.515	5.488.356	4.388.094	2.382.741
total assets	**47.405.573**	**30.662.118**	**21.901.161**	**15.675.904**	**8.590.055**
LIABILITIES & SHAREHOLDERS EQUITY					
current liabilities	17.769.697	8.642.186	4.626.320	2.880.176	2.189.660
long term liabilities	5.71.142	5.411.130	4.545.776	2.415.760	945.519
total liabilities	18.340.839	14.053,316	9.172.096	5.295.936	3.135.179
share holders equity					
capital	6.114.228	4.367.306	4.367.306	3.970.278	1.299.600
capital commitments	-50.722	0	0	0	
share premium	196.886	196.886	196.886	196.290	196.290
revaluation surplus	11.959.095	10.222.082	6.601.249	4.317.783	2.148.767
reserves	4.685.536	1.563.624	1.554.383	1.405.015	1.157.629
net income	962.989	258.904	9.241	541.324	1.097.749
total shareholders equity	23.918.734	16.608.802	12.729.065	10.379.968	5.454.876
total liabilities & share holders equity	**47.405.573**	**30.662.118**	**21.901.161**	**15.675.904**	**8.590.055**

Table A.5

Inflation rates in Turkey

YEAR	Wholesale Prices of Commodity Goods (%)	Wholesale Prices Of Consumer Goods (%)
1997	91,0	98,4,1
1998	54,3	69,7
1999	62,9	68,8
2000	32,7	39,0

Table A.6

AKSU İPLİK DOKUMA VE BOYA APRE FAB. T.A.Ş.
Comparative income statement(component percentages)
2001-1997

	2001	2000	1999	1998	1997
ASSETS					
current assets	77.7%	68.7%	71.3%	67.8%	68.8%

Inventories	25.8%	24.6%	21.5%	19.7%	25.7%
Non-current assets	22.2%	31.2%	28.7%	32	31.2%
financial fixed assets	4.4%	5.3%	3.6%	4.4%	3.6%
tangible fixed assets	17.3%	25.9%	25	27.9%	27.7%
total assets	**100**	**100**	**100**	**100**	**100**
Long term liabilities					
current liabilities	37.5%	28	21.1%	18.4%	25.5%
long term liabilities	1.2%	17.6%	20.7%	15.4%	11
total liabilities	38.6%	45.8%	41.9%	33.8%	36.5%
Shareholders equity					
Capital	13	14.2%	19.9%	25.3%	15%
capital commitments					
share premium	0.4%	0.6%	0.8%	1.25%	2.3%
revaluation surplus	25.2%	33.3%	30.1%	27.5%	25
Reserves	9.9%	5	7	9	13.5%
net income	2	0.8%	0.04%	3.45%	12.8%
total shareholders equity	50.4%	54.2%	58	66.2%	63.5%
total liabilities & share holders equity	**100**	**100**	**100**	**100**	**100**