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A study on the understanding of financial instruments by performing secondary research to perform company valuation & evaluate key financial ratios of a large market cap Indian company using audited financial data

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Abstract

In this article, different instruments are discussed which are used by the finance department of the company in terms of maintaining the proper status of the company in different markets in terms of their financial assets. Moreover, these instruments also help to secure the financial assets of the company and these financial instruments also help to detect the smooth cash flow of the company from different business markets. In this article key evaluations of the financial ratios are performed which also requires the data and the information that results from the financial audit of the company. All the above-discussed aspects are used in detecting the financial position of the company.

Keywords: Finance department, financial instruments, cash flow, markets, financial ratios

1. Introduction

This conducted article has been developed on the basis of the instruments that are used in a company to maintain financial status in terms necessary for enhancing the valuation of the company. There are several instruments are available in the market that the company can be used to maintain the financial status of a company in the proper way. Therefore, it can be stated that maintaining the financial status in a proper way helps to increase the total valuation of the company in different markets.

Background

This research article has covered different aspects that are necessary and also important in maintaining the financial condition of a company in different markets. Different kinds of instruments are available in the market which helps the company in order to maintain a constant flow of cash that is necessary in order to maintain the financial status of a company in a different market (Montani *et al.* 2020)^[9]. The maintenance of the financial condition of a company is necessary to perform as it helps to incense the overall valuation of the company in the market as compared to the other competitive companies in the market.

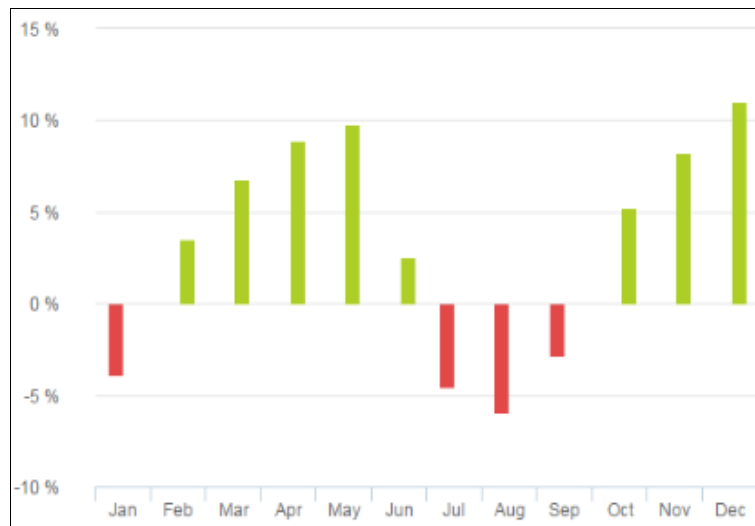
From the above figure, it has been observed that the financial instruments and the financial data play a crucial role in terms of maintaining the financial status of a company in different markets as compared to other companies in the same market (Pramandika & Siahaan, 2020)^[12]. The data that is collected from the financial audit that is performed in the internal work sector of an organization is important as it reflects the actual condition of the finance secretion of a company.

Research objectives

Objectives of the research articles are discussed below

- To analyze the influencing effect of financial instruments in terms of performing company valuation.
- To estimate the adverse effect of key financial ratios of a large market-cap Indian company.

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(Source: Cooper et al. 2021) [2]

Fig 1: Maintaining the financial status of a company by different aspects of financial instruments and financial data

- To highlight the uses of audited financial data in the evaluation of key financial ratios

Research questions

Questions that are developed on the basis of the research objectives of the research articles are discussed below

RQ1: How to analyze the influencing effect of financial instruments in terms of performing company valuation?

RQ2: What adverse effect has been observed on the large market cap Indian company of the key financial ratios?

RQ3: What are the uses of audited financial data to evaluate key financial ratios?

Literature Review

Introduction

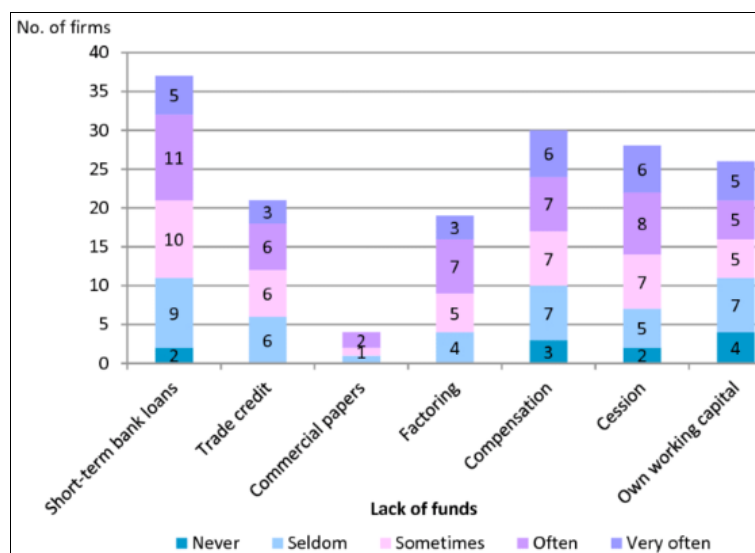
In this specific section literature review of the article has been discussed in a brief manner. The literature review contains the points mentioned in the article's topic. The conceptual view of several instruments that are used in maintaining different aspects of the financial condition of a

company is discussed. Moreover, the role of the instruments in terms of enhancing the valuation of the company is also described in this section.

Concept of financial instrument

Financial instruments are processed that are used in order to estimate the total assets of a company in terms of securing its financial status in a market. Different instruments are available in the market which is used in terms of calculating the assets that are contained by the higher authority of the company. There are different instruments are used by a financial team of a company such as cash calculating instruments, cheques, derivatives instruments, Debt-based instruments, and so many others. Each of the above-discussed instruments plays a different role in the financial condition of a company (Suwarni et al. 2020) [13].

Financial instruments also provide different documents either in a real form or in a virtual form.



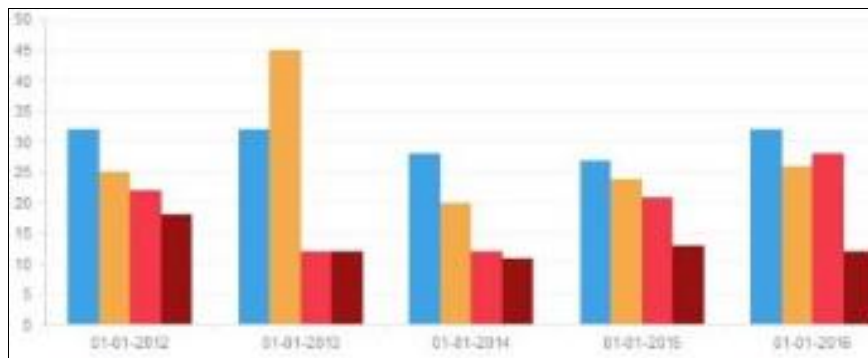
(Source: Imansyah & Mustafa, 2021) [4]

Fig 2: Uses of financial instruments by different firms

The above-discussed figure described the different types of instruments that are used by the financial departments of different companies. All the instruments are in different cases, therefore the necessity of each of the instruments in maintaining the potentiality of the financial conditions of any organization is different (Arroyave, 2018) ^[1]. Even the duration of the time period for which the financial instruments are used by the employees of the organization is also different for each of the financial instruments. It is seen that the dependent variable ROA (Profit ratio over the total assets) has the mean of 0.0092, the variance is quite large 0.0086, the maximum value is 0.0595 and the minimum value is - 0.0599 (Duong *et al.* 2020) ^[3].

The dependent variable ROE (profit ratio over total capital) has mean value of 0.0964, variance is 0.0808, minimum value is - 0.0563 and maximum value is 0.3153.

Role of financial instruments in performing company valuation: Mainly two types of financial instruments are used in any organization. These two types are cash instruments and derivative instruments. The cash instruments are used in order to analyze the cash flow of the company from the different markets and as well as vice-versa. On the other hand, another instrument that is considered a financial instruments category is derivative instruments (Orazalin, Mahmood & Narbaev, 2019) ^[10]. Derivative instruments are described as instruments that are based on the different components that are available in the internal work environment of an organization. Moreover, Derivative instruments are also used in order to maintain the balance between the diversity among the values of the stocks of the company.



(Source: Duong *et al.* 2020) ^[3]

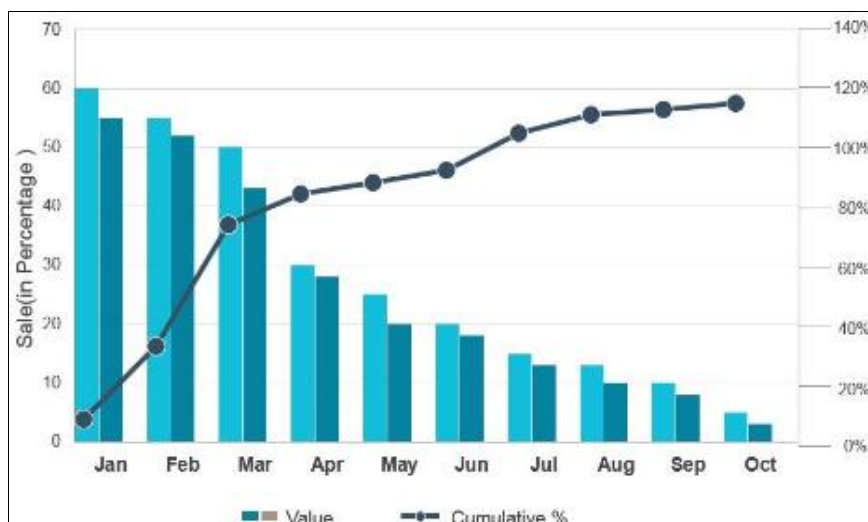
Fig 3: Role of financial instruments in performing company valuation

The above figure develops a graphical presentation of the usage of the different financial instruments that are used to maintain the financial stays of a company and as well as the enhancing the value of the company in companies from different markets (Lamboy-Ruiz *et al.* 2019) ^[7].

When the financial condition of a company improves then it automatically turns on the value of the company in different markets as compared to the other company.

There are several types of ratios available in the internal work environment of a company. These ratios play the role of an indicator of the condition that is observed in the case of finance in different markets. Therefore, each company holds a specific spot in the market as per their financial condition which is also compared to the spots of other companies who act as a competitor in a competitive market (Pignatel & Tchuigoua, 2020) ^[11]. Different kinds of financial ratios are such as quick ratio, equity ratio, capital ratio, and so many others.

Evaluation of key financial ratios of a large market cap Indian company using audited financial data



(Source: Montani *et al.* 2020) ^[9]

Fig 4: Estimation of key financial ratios of a company using audited financial data

The above-discussed figure describes the role of the data that are collected after auditing the company in terms of their financial condition in helping to estimate the financial ratios of the company. The estimation of the financial ratios requires different kinds of financial data that are collected after auditing the financial condition. These all data are used by the employees of the financial department in order to estimate the ratios of the financial status.

Theory

Finance Theory

Finance theory helps the organization to teach different types of factors that are related to the development of an equity share of an organization. The theory provides a proper idea to the organization that is used by the higher authority to maintain their financial status in different platforms of the business market (Cooper *et al.* 2021) [2].

Therefore, most organizations use this theory in order to create significant value for the financial condition of the company in large markets.

Methodology

The research article has been developed with the help of a secondary qualitative data collection method. In this particular type of data collection method different relevant data and information have been collected from the articles which are published in previous years by other writers. Along with these different journals and book of other writers are also gone through in order to gather relevant data and information.

Result

Quality review

Table 1: Quality review

Authors	Study design	Number of resources	Measured outcomes	Result	Quality review
Liubkina <i>et al.</i> 2019 [8]	Primary quantitative method	12	The analyses uses of financial assets of a company to increase the valuation of a company	The financial assets of a company are used in order to increase the total valuation of the company.	High
Khalatur <i>et al.</i> 2019 [5]	Secondary qualitative method	10	Critically evaluation of the instruments that are used to maintain financial condition to enhance company valuation in the market.	Instruments used for maintaining the financial condition of a company are used for the evaluation of a company's valuation in a large market	High
Wyrwa, 2020 [14]	Primary qualitative method	9	Data collected from the financial audit analysis play a key role in maintaining financial ratios in a large market	Financial audit data is used for maintaining the key ratios in the financial condition of a company in the large markets	Moderate
Lakatos & Arsenopoulos 2019 [6]	Mixed method		Key features of the financial ratios are evaluated by data from a financial audit.	Data from a financial audit also helps in the evaluation process of identification of key features of financial ratios.	High

(Source: By learner)

Thematic coding

Table 2: Thematic coding

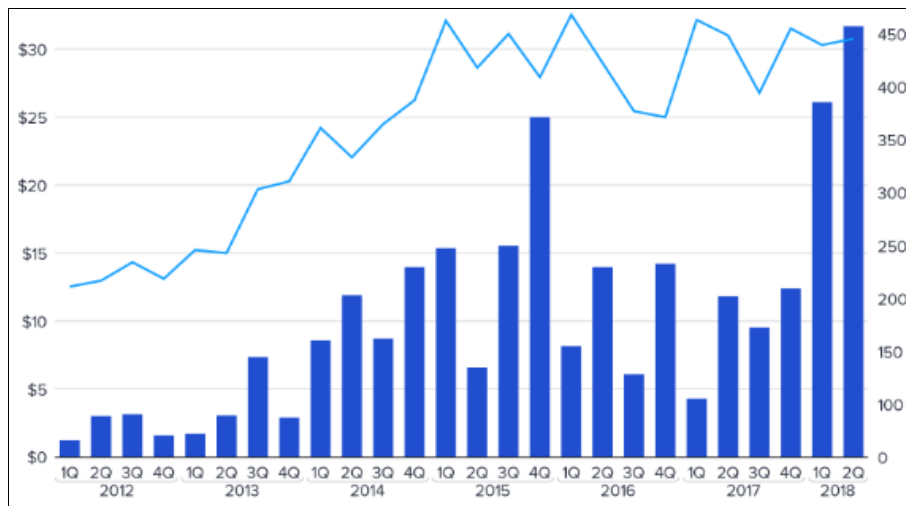
Author	Code	Themes
Liubkina <i>et al.</i> 2019 [8] Khalatur <i>et al.</i> 2019 [5]		Instruments for maintaining the financial assets of a company help to incense the valuation of a company
Wyrwa, 2020 [14] Lakatos & Arsenopoulos 2019 [6]		Data from financial audits help in the evaluation process of key financial ratios of a company in the large markets

(Source: By learner)

Theme 1: Instruments for maintaining financial assets of a company help to increase the valuation of a company

This theme has been developed on the relevant information that is collected by the secondary qualitative data collection method on the basis of different types of instruments that are used in the finance department of an organization to incense the overall value of the company. The overall value of the company in different markets can be assessed by the status of the financial support and financial assets the company shares in those business markets. When a

company shares a strong position in the market and the strong position is judged financially as compared to the other companies then it helps to increase the overall value of the company not only in the business market as well as in the stock market (Liubkina *et al.* 2019) [8]. Therefore, it can be stated that instruments in directly hale in maintaining the valuable position of the company in the market as well as the overall value of the different aspects of the company in different markets.



(Source: Liubkina et al. 2019) [8]

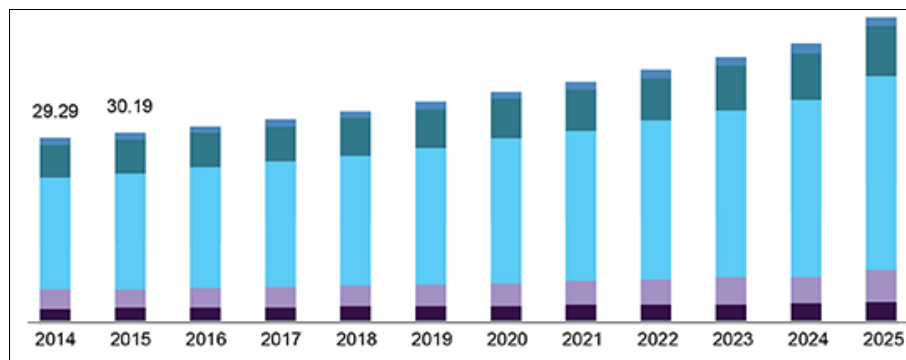
Fig 5: Instruments for maintaining the financial assets of a company help to increase the valuation of a company

The above figure describes the graphical presentation of the uses of financial instruments in terms of increasing the valuation of a company.

Theme 2: Data from financial audits help in the evaluation process of key financial ratios of a company in large markets

There are different types of data are coming out after

auditing the value of the company financially by the auditors. These data help to describe the actual position of the company which is critically evaluated in terms of the financial condition of the company. In addition to this these audited data are also used in order to estimate the essential ratios of the company (Wyrwa, 2020) [14]. These ratios are necessary to evaluate the position of the company in a different market.



(Source: Lakatos & Arsenopoulos 2019) [6]

Fig 6: Data from financial audits help in the evaluation process of key financial ratios of a company in large markets

The above-discussed figure describes the uses of the data that are used in estimating the financial ratios of a company in different large markets. The data help to develop different economical ratios of the company.

Discussion

The discussion section contains the overall discussion which is developed in the above-shown themes. Therefore, the overall aspects of these two themes are present in this discussion section. Different data that are gathered by the financial audit of a company help to critically perform the most important financial ratios of the company (Lakatos & Arsenopoulos 2019) [6]. On the other hand, different instruments are also discussed which is help to increase the valuation of the company.

Conclusion

Thus, it can be concluded that financial instruments are considered important aspects in terms of measuring the

financial condition of the organization in platforms of the different business markets. When the financial condition of the company evaluates then it also enhances the overall value of the economic condition of the company in the business market. Moreover, uses of financial audited data in the case of evaluating the key financial ratios are also included in the topic of this conducted article.

Limitations

The limitation is the drawbacks of the secondary qualitative data collection method that is followed in this research article. This method is a long process and also a time-consuming process. Therefore, execution of the articles by the secondary qualitative data collection method is too hard.

Future Scope

There are many areas not covered in this article as this article did not cover the importance of the estimation of the financial ratios. Along with this the methods and as well as

specific formulas are also not covered in this conducted article.

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