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Financial Performance of Bulacan Agricultural State College: An Analysis

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***Abstract**: Financial performance of an institution is one of the greatest tool analysts used in determining the status of an organization in terms of business operation. Knowing how well-diversified the economy in the present time makes it more important for business entities to have knowledge and understand financial analysis to benefit them from proper management of their financial assets not only in its current phase but as well as in its future function. This study analyzed the financial performance of the Bulacan Agricultural State College using financial statements for the fiscal years 2009 to 2013. The researchers made use of the following financial statements to meet the objectives of the study - Balance Sheet, Income Statement, Cash Flows Statement and Government Equity. The following financial ratios - liquidity ratio, solvency ratio and profitability ratio' were also used. The financial statements of Bulacan Agricultural State College have been prepared in conformity with generally accepted state accounting principles and reflect amounts that are based on the estimates and informed judgment of management with an appropriate consideration to materiality. Though there are difference is some of the financial statement's decimal presentation, the researchers are still able to compute for the financial ratios including liquidity ratio, solvency ratio and profitability ratio which are most needed to complete the study and have a good judgment in the college's financial performance for the calendar year 2009-2013.*

Keyword: financial performance, financial statements, financial ratios

Introduction

Financial performance of an institution is one of the greatest tool analysts used in determining the status of an organization in terms of business operation. Knowing how well-diversified our economy is, in the present time makes it more important for business entities to have knowledge and understand financial analysis to benefit them from proper management of their financial assets not only in its current phase but as well as in its future function.

Based on the website of Investopedia, an online dictionary, financial performance is defined as a subjective measure of how well a firm can use assets from its primary mode of business and generate revenues. This term is also used as a general measure of a firm's overall financial health over a given period of time, and can be used to compare similar firms across the same industry or compare industries or sectors in aggregation.

From the article entitled "Measuring the Efficiency and Effectiveness of a Non-profit's Performance" written by Epstein and McFarlan (2011), they held significant effort of measuring non-profit performance that's often focused on financial metrics. Although these measurements are certainly important, measuring organizational success must focus primarily on achieving their mission. But we know that, just as with for-profit organizations, these nonfinancial measures of success are often less precise and far more difficult to measure. The relevancy, though, is obvious and the task critical. For this reason, it is important for non-profit organizations to constantly measure performance related to both their financial efficiency and their effectiveness in meeting organizational goals.

Given the fact, financial performance analysis is not only exclusive for-profit organizations, but for non-profit organizations as well. This analysis may range from a variety of ways. One of the most commonly used are the financial ratios. These ratios are beneficial in determining the solvency, liquidity and profitability of an organization. By simply looking at the figures computed using the method, analysts may be able to make good judgment whether a company and other related firms or institutions are doing good in the overall aspects of its business decision-making process including the use and allocation of its resources.

Such kind of analysis will also benefit people outside the organization for it gives background about their financial condition and how well their business performance is doing in a going-concern manner. Analyst may use the data obtained in shaping potential equity. Likewise, credit analyst may find it useful in evaluating the creditworthiness of an entity for a better judgment in terms of future transactions including the grant of credit.

Background of the Study

Bulacan Agricultural State College (BASC) started as Plaridel Community Agricultural High School in 1951. The first site was in Plaridel, Bulacan then it was transferred to its present location in San Ildefonso, Bulacan. It was later named Bulacan National High School. On 1959 June 21, Republic Act No. 2416 was passed into law renaming Bulacan National High School as Bulacan National Agricultural School.

After 39 years, Republic Act No. 8548 was passed into law by the Congress of the Philippines on 1988 February 24 elevating the school into a college: Bulacan National Agricultural State College. The Congress of the Philippines passed into law Republic Act No. 9249 renaming Bulacan National Agricultural State College as Bulacan Agricultural State College dated 2004 February 29.

As one of the colleges, BASC endeavors to be a center of development/excellence in agriculture, arts and sciences, forestry, teacher education and entrepreneurship responsive to the national goals of food security, poverty alleviation, sustainable development, global competitiveness and people empowerment. Its vision is to be a premier institution responsive to the ever-changing needs of the community, producing quality graduates and appropriate technologies which are locally directed but globally competitive. (basc.awardspace.com)

As part of this study, the researchers evaluated the financial performance of Bulacan Agricultural State College. By means of this, its personnel particularly the non-teaching staff will be able to have an access on how well the college properly manage the daily operating activities of the school. This study will also be useful to the other researchers to understand how it is important for an institution to oversee its funding system.

Theoretical Framework

This study is anchored on the Prospect Theory developed by Kahneman and Tversky (1979), which contends that people value gains and losses differently, and as such, will base decisions on perceived gains rather than perceived losses. Thus, if a person were given two equal choices, one expressed in terms of possible gains and other in possible losses, people would choose the former – even when they achieve the same economic end result.

Traditionally, it is believed that the net effect of the gains and losses involved with each choice are combined to present an overall evaluation of whether a choice is desirable. Academics tend to use “utility” to describe enjoyment and contend that we prefer instances that maximize our utility.

This theory can be also used to explain quite a few illogical financial behaviours. For example, there are two people who do not wish to put their money in the bank to earn interest or who refuse to work overtime because they don’t want to pay more taxes. Although these people would benefit financially from the additional after-tax income, prospect theory suggests that the benefit (or utility gained) from the extra money is not enough to overcome the feelings of loss incurred by paying taxes.

Another theory related to the evaluation of financial performance is the Resource Dependence Theory introduced by Pfeffer and Salancik (1978). This is built around the central hypothesis that organizations are constrained by external pressures and demands. Consequently, the key organizational survival is the ability to acquire and maintain resources. Resource dependence can be linked to the idea of coercive isomorphism. This concept has been developed by DiMaggio and Powell (1983) as part of their institutional theory, explaining why organizations are driven to similarity, a process they call “isomorphism”.

As stated in the study of Verbruggen, Christiaens, & Millis (2009), resource dependence theory as well as institutional theory, the choices of an organization are limited by external pressure. In the case of institutional theory, these pressures stem from the institutional environment that sets and enforces the rules. This can be the government as well as the pressure groups or public opinion. Resources dependence stresses the pressures shaped by those who control scarce resources. In the case of nonprofit organizations, both loci of power (at least partially) coincide, since the government quite often is the institution that sets the rules and holds money. Therefore, resources dependence and institutional theory provide a theoretical background to explain nonprofits’ compliance with financial reporting regulation.

The theories above provided the researcher appropriate ideas and concepts used to further augment the development of this study. These helped the researchers to have deeper analysis of the study and guide them to formulate conclusions with better recommendations.

Conceptual Framework

The conceptual framework of this study is shown in Figure 1, the research paradigm of the study.

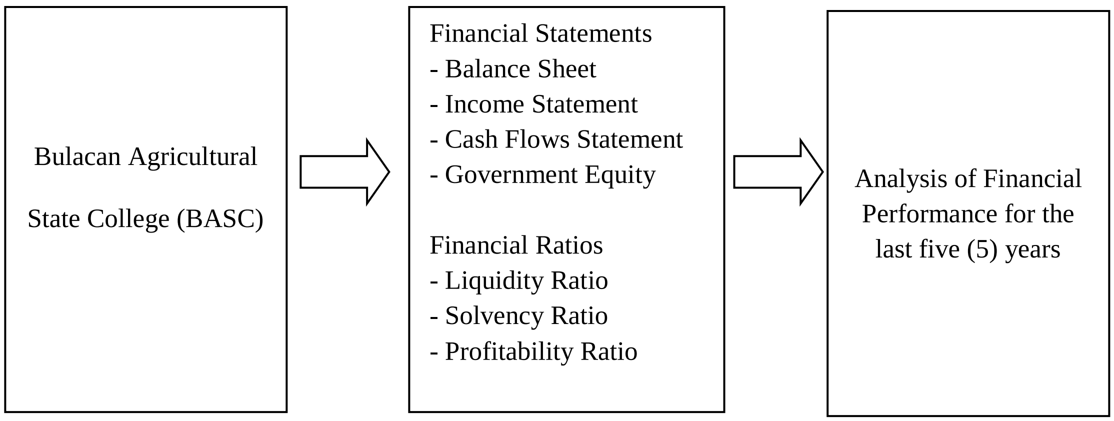

Figure 1. Research Paradigm of the Study

As shown in Figure 1, the profile of this study is the Bulacan Agricultural State College. Also, this study aimed to evaluate the financial status of the college through the use of its financial statement including the balance sheet, income statement, cash flow statement, and government equity. Financial analysis is done through computation of financial ratios which determine its liquidity, solvency and profitability as a government subsidy. Finally, the main purpose of this study is to evaluate the financial performance of BASC for the last five (5) years.

Statement of the Problem

The major objective of this study evaluated the financial performance of Bulacan Agricultural State College for the last five (5) years. In light of this major problem, the following specific problems are considered:

1. How is the financial performance of Bulacan Agricultural State College evaluated using financial ratios?
2. How is the financial performance of Bulacan Agricultural State College for the last five years compared?
3. What five-year development plans may be proposed to enhance the financial performance of the college in the future?

Scope and Limitations of the Study

This study focused on the financial performance of Bulacan Agricultural State College for the calendar years 2009 to 2013. The study was conducted during the summer 2014.

The primary tool used is the financial statement of the college for the last five (5) years. The technique used is principally through documentary analysis and clarification on obscure matter is done through interview with concerned people.

Data are used as basis for discussion, documentation and the status report presentation and analysis of financial condition.

Significance of the Study

With the desire to know the financial performance of BASC for the last five (5) years, the findings of this study will show a window to benefit the people who managed and are involved in the same kind of operation. This study will provide brief descriptions on its various significances to the:

Students. The findings of this study will serve as a reference especially for those who are taking up Business Administration courses. For a company's financial analysis is inevitable to business students, this may help them learn the art of analysis not only by computation but as well as by judgment by merely looking at the financial statement. This will also help them understand the analysis of an institution's financial performance in the simplest manner.

Administrators. The findings of this study may serve as a guideline in the formulation of future projects in relation with the income generating projects of state universities and colleges. Proper knowledge in financial analysis is a prerequisite for a better implementation of proposals. This may strengthen their ways of overseeing the uses of resources by the administrators, staffs, and other individualities who may be involved in the college.

Researchers. The findings of this study will benefit future researches as a guide. This can help researchers who will conduct the same study in understanding the stated problem and help them make useful research.

Definition of Terms

For better understanding of the study, the following terms are defined operationally and conceptually.

Balance Sheet. In this study, the term represents the assets, liabilities, and owner's equity part of the financial statement for a period of one year; measures and determines the financial condition of an individual and/or an institution.

Cash Flow Statement. In this study, the term refers to the cash outflows and cash inflows in an organization within an operating year. This also represents the sources and uses of this capital resource.

Cash Ratio. This term is defined as an extreme liquidity ratio since only cash and cash equivalents are compared with the current liabilities. It measures the ability of a business to repay its current liabilities by only using its cash and cash equivalents and nothing else. (accountingexplained.com)

Current Ratio. According to Clayman, Fridson, and Troughton (2012), current ratio is the ratio of current assets to current liabilities. This ratio is a measure of a company's ability to satisfy its current liabilities with its current assets.

Debt Ratio. In this study, debt ratio is computed by dividing long-term debts to total assets. It shows the section of the assets endowed with by the creditors.

Equity Ratio. This term is defined as an investment leverage or solvency ratio that measures the amount of assets that are financed by owners' investments by comparing the total equity in the company to the total assets. (www.myaccountingcourse.com)

Financial Analysis. In this study, the term refers to the analysis of whether a certain entity, institution, company and the like is financially stable, liquid, solvent, and/or profitable.

Financial Performance. In this study, the term refers to the measure of an entity's overall financial health over a given period of time, usually within a period of one year. Sometimes used as a reference in a comparable study when assessing the effectiveness of the organization in managing their assets over liabilities.

Financial Ratios. In this study, the term refers to the ratios used in analyzing the liquidity, solvency, and profitability of a business.

Financial Statement. In this study, the term refers to the written formal presentation of a person or a business organization's financial activities usually in a given year. This includes the balance sheet, income statement, cash flow statement, and government equity.

Income Statement. In this study, the term refers to profitability-loss statement which shows the cash generating ability of an entity for a given period of time.

Liquidity Ratio. In this study, the term determines the ability of a business to pay its short-term obligations with another business entity.

Profit Margin. This term (also known as net profit margin) is a ratio of profitability calculated as net income divided by revenues, or net profits divided by sales. It measures how much out of every peso of sales a company actually keeps in earnings.

Profitability Ratio. In this study, the term refers to the ability of the business to generate profit relative to sales. This also entails the capability of a business to properly manage its assets and equity over expenses and liability.

Quick Ratio. As defined by Manuel (2011), quick ratio is a stricter measurement of liquidity. It is similar to the current ratio except that only quick assets like cash and cash equivalents, receivables and marketable securities are used instead of all the current assets.

Return on Equity. This term is defined as an important measure of the profitability of a company. Higher values are generally favorable meaning that the company is efficient in generating income on new investment. (accountingexplained.com)

Return on Total Assets. This term is defined as the ratio of annual net income to average total assets of a business during a financial year. It measures efficiency of the business in using its assets to generate net income. (accountingexplained.com)

Stability or Solvency Ratio. In this study, the term determines the ability of a business to pay its long-term obligations with another business entity.

Working Capital. In this study, the term is defined as the difference between the current assets and current liabilities.

Methodology

The descriptive method of research was employed to evaluate the financial performance of Bulacan Agricultural State College. Information was gathered through financial statements, interviews, and personal observations.

Financial statements include BASC's balance sheet, income statement, cash flow statement, and government equity for the last five (5) years starting from the fiscal year 2009 to 2013.

Research Instrument

This study made use of the financial statement. These statements are written formal presentation of a person or a business organization's financial activities usually in a given year which includes the balance sheet, income statement, cash flow statement, and government equity. The above-mentioned financial instruments are given emphasis on the analysis of the college's financial performance.

Balance sheet represents the assets, liabilities, and owner's equity part of the financial statement for a period of one year; measures and determines the financial condition of an individual and/or an institution.

Income statement as part of the financial statement is then defined as the profitability-loss statement which shows the cash generating ability of an entity for a given period of time.

On the other hand, cash flow statement is the cash outflows and cash inflows in an organization within an operating year. This also represents the sources and uses of this capital resource.

These data are primarily used in the financial performance evaluation of Bulacan Agricultural State College and was utilized in its ratio analysis computation for the last five (5) years.

Data Gathering Procedure

The researchers personally undertook the data gathering process with the help of Bulacan Agricultural State College's personnel. Since the main concern of this study was to evaluate the financial performance of the college for the last five (5) years, the researchers prepared a letter of request for a copy of the college's financial statement from the fiscal year 2009 to 2013, addressed to the President of BASC. This letter was checked and signed by the adviser of the researchers.

After the request was approved by President of the college, the researchers were directed to the Vice President for Budget and Finance. Immediate and appropriate action was then passed to the college's Accountant III. Financial statements for the last five (5) years were given to the researchers the day after the request.

In addition to the pertinent records of the existing financial statement, the data gathered was reviewed, analyzed, evaluated, and interpreted. Liquidity, solvency, and profitability analyses were consequently treated through the use of financial ratios. Proper handling of the financial management is a very important aspect of the institution. This determined whether the college utilizes their funding sources effectively; its use and allocation.

A short yet relevant interview was also done with the Vice President for Academic, Cultural and Sports Affairs (ACSA) regarding the background of the study as being part of the State Universities and Colleges (SUCs). Information gathered helped the researchers to have a sound judgment in terms of their sources of funds and profitability.

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Other than the aforementioned information, the researchers also held a consultation from an accountant in terms of data they are not familiar with since the college is a service-oriented institution which in conclusion have a different kind of analysis from a for profit organization. However, they have the so-called income generating projects which calls for profit.

The data gathered from the financial records, the information collected from the Vice President (ACSA), and the opinion from the accountant served as the basis for the documentary analysis of the financial performance of Bulacan Agricultural State College.

The researchers did not use statistical treatment of the data but they processed the data available using financial ratios. Evaluated result of the financial ratio analysis was tabulated accordingly and treated statistically. The analysis and interpretation was presented descriptively.

Data gathered from the financial statement was computed using the following financial ratios:

LIQUIDITY RATIO
Working Capital = Current Asset – Current Liabilities
Current Ratio = Current Asset / Current Liability
Quick Ratio = Quick Assets / Current Liabilities
Cash Ratio = Cash / Current Liabilities

STABILITY / SOLVENCY RATIO
Debt Ratio = Total Liabilities / Total Assets x 100
Equity Ratio = Owner's Equity / Total Assets x 100

PROFITABILITY RATIO
Profit Margin = Net Income / Revenues
Return on Total Assets = Net Income / Average Total Assets
Return on Equity = Net Income / Average Owner's Equity

Results and Discussions

The major objective of this study is to evaluate the financial performance of Bulacan Agricultural State College for the last five years, the researchers then attempted to present its financial performance on a yearly basis using financial ratios.

Table 1

Liquidity Ratio of BASC for the Fiscal Year 2009-2013

	2009		2010		2011		2012		2013	
Working Capital	_ 25,148,197.04 19,431,378.35 **5,716,818.69**		_ 24,797,308.70 17,424,192.92 **7,373,115.78**		_ 21,147,589 15,412,891 **5,734,698**		_ 26,785,740 17,252,530 **9,533,210**		_ 31,846,430.89 19,792,376.11 **12,054,054.78**	
Current Ratio	25,148,197.04 / 19,431,378.35 =	**1.29**	24,797,308.70 / 17,424,192.92 =	**1.42**	21,147,589 / 15,412,891 =	**1.37**	26,785,740 / 17,252,530 =	**1.55**	31,846,430.89 / 19,792,376.11 =	**1.61**
Quick Ratio	(25,148,197.04 - 1,507,979.08) / 19,431,378.35		(24,797,308.7 - 1,665,106.41) / 17,424,192.92		(21,147,589 - 1,956,110) / 15,412,891		(26,785,740 - 4,667,760) / 17,252,530		(31,846,430.89 - 4,403,810.71) / 19,792,376.11	
	23,640,217.96 / 19,431,378.35 =	**1.22**	23,132,202.29 / 17,424,192.92 =	**1.33**	19,191,479 / 15,412,891 =	**1.25**	22,117,980 / 17,252,530 =	**1.28**	27,442,620.18 / 19,792,376.11 =	**1.39**
Cash Ratio	12,016,190.75 / 19,431,378.35 =	**0.62**	12,451,205.73 / 17,424,192.92 =	**0.71**	10,885,012 / 15,412,891 =	**0.71**	15,284,724 / 17,252,530 =	**0.89**	19,981,717.83 / 19,792,376.11 =	**1.01**

Table 1 presents the computed liquidity ratio of Bulacan Agricultural State College for the calendar year 2009-2013. Liquidity ratio determines the ability of the business, whether for profit or not-for-profit, to pay its short-term obligations with another business entity.

Based on the table above, the working capital of the college is only ₱5,716,818.69 in 2009 compared on a computed value of ₱7,373,115.78 in 2010. In 2011, working capital decreased to ₱5,734,698. The working capital in 2012 amounted to ₱9,533,210 which are higher compared from the prior year. The highest computed working capital is ₱12,064,064.78 which can be noted in 2013.

Current ratio in 2009 is 1.29 which is lower against the succeeding year. In 2010, the calculated current ratio increased to 1.42 and decreased to 1.37 in 2011. The current ratio in 2012 and 2013 is higher from the preceding three (3) years which are 1.55 and 1.61, respectively.

Quick ratio of the college is 1.22 in 2009 which is lower compared to 1.33 in 2010. In 2011, quick ratio decreased to 1.25. It is 1.28 in 2012 which is higher compared to the quick ratio from the previous year. In 2013, the quick ratio resulted to 1.39 which became the highest among the last four (4) years.

The cash ratio of BASC is only 0.62 in 2009 compared on the cash ratio of 0.71 both in 2010 and 2011. In 2012, the cash ratio is 0.89 which is lower than 1.01 in 2013 which are the highest compared to the cash ratio from the previous years.

Table 2

Stability or Solvency Ratio of BASC for the Fiscal Year 2009-2013

	2009	2010	2011	2012	2013
Debt Ratio	$\frac{23,449,378.35}{62,955,730.43}$ = **37.25%**	$\frac{22,794,192.92}{63,824,437.51}$ = **35.71%**	$\frac{19,959,924}{63,302,882}$ = **31.53%**	$\frac{20,019,106}{95,768,836}$ = **20.90%**	$\frac{23,416,091.71}{111,600,338.55}$ = **20.98%**
Equity Ratio	$\frac{39,506,352.08}{62,955,730.43}$ = **62.75%**	$\frac{41,030,244.59}{63,824,437.51}$ = **64.29%**	$\frac{43,342,958}{63,302,882}$ = **68.47%**	$\frac{75,749,730}{95,768,836}$ = **79.10%**	$\frac{88,184,246.84}{111,600,338.55}$ = **79.02%**

Table 2 presents the computed stability or solvency ratio of Bulacan Agricultural State College for the calendar year 2009-2013. Stability or solvency ratio determines the ability of a business to pay its long-term obligations with another business entity.

Based on the table above, debt ratio of the college is only 37.25% in 2009 which is lower compared to the debt ratio of 35.71% in 2010. The debt ratio in 2011 decreased to 31.53%. In 2012, the debt ratio decrease compared to the previous year while in the subsequent year, there is an increase from 20.90% in 2012 to 20.98% in 2013.

The computed equity ratio is only 62.75% in 2009. There is an increase in the equity ratio from 64.29% in 2010 to 68.47% in 2011. Sudden increase in the equity ratio occurred in 2012 with a percentage of 79.10% and came to have the highest value followed by 79.02% in 2013 which is the second highest among the previous years.

Table 3

Profitability Ratio of BASC for the Fiscal Year 2009-2013

	2009		2010		2011		2012		2013	
Profit Margin	6,727,919.31 / 65,285,362.50	= **10.31%**	576,035.82 / 63,451,655.91	= **0.91%**	3,777,810 / 77,183,646	= **4.89%**	4,963,837 / 88,271,670	= **5.62%**	13,604,685.48 / 106,007,520.19	= **12.83%**
Return on Total Assets	6,727,919.31 / (57,364,326.23 + 62,955,730.43)/2		576,035.82 / (62,955,730.43 + 63,824,437.51)/2		3,777,810 / (63,824,437.51 + 63,302,882)/2		4,963,837 / (63,302,882 + 95,768,836)/2		13,604,685.48 / (95,768,836 + 111,600,338.55)/2	
	6,727,919.31 / 60,160,028.33	= **11.18%**	576,035.82 / 63,390,083.97	= **0.91%**	3,777,810 / 63,563,660	= **5.94%**	4,963,837 / 79,535,859	= **6.24%**	13,604,685.48 / 103,684,587.28	= **13.12%**
Rate of Return on Equity	6,727,919.31 / (33675194.43 + 39506352.08)/2		576,035.82 / (39506352.08 + 41030244.59)/2		3,777,810 / (41030244.59 + 43342958)/2		4,963,837 / (43342958 + 75749730)/2		13,604,685.48 / (75749730 + 88184246.84)/2	
	6,727,919.31 / 36,590,773.26	= **18.39%**	576,035.82 / 40,268,298.34	= **1.43%**	3,777,810 / 42,186,601	= **8.95%**	4,963,837 / 59,546,344	= **8.34%**	13,604,685.48 / 81,966,988.42	= **16.60%**

Table 3 presents the computed profitability ratio of Bulacan Agricultural State College for the calendar year 2009-2013. Profitability ratio determines the ability of the business to generate profit relative to sales. This also entails the capability of a business to properly manage its assets and equity over expenses and liability.

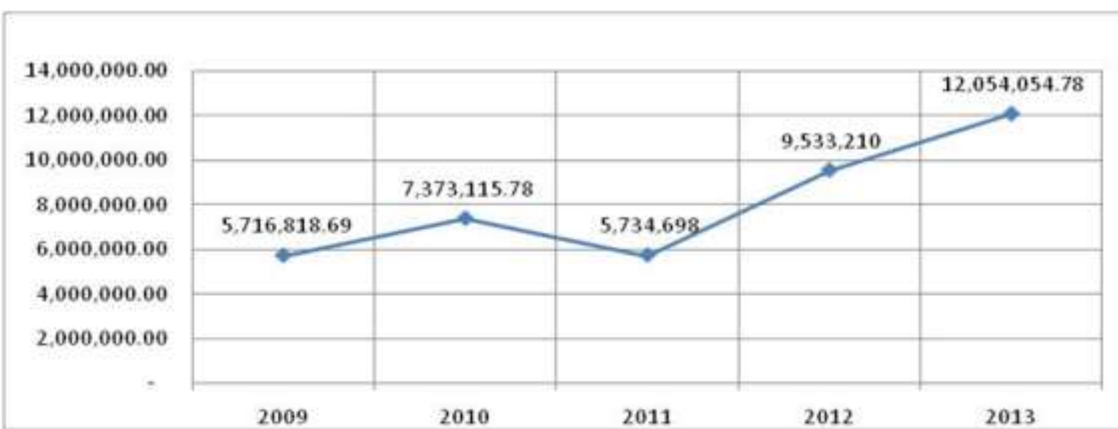
Based on the table above, the profit margin of the college in 2009 is 10.31% but have a dramatic decline in 2010 which resulted in 0.91%. An increase of 4.89% occurred in 2011 which made the college recovered the decrease on the profit margin in the past year. Compared to the preceding years, the college has an increase in their profit margin from 2012 to 2013 which is 5.62% and 12.83%, respectively.

The college's return on total assets in 2009 is 11.18% evaluated from 2010 which suddenly declined to 0.91%. In 2011, return on total assets increased up to 5.49%. Compared to the previous years, 2012 and 2013 both have an upward movement in the college's return on total assets percentage which is 6.24% and 13.12%, respectively.

The rate of return on equity is 18.39% in 2009 which is higher compared to 1.43% in 2010. An abrupt increase of 8.95% in the college's return on equity occurred in 2011. Weigh against the prior year, there is a decrease in the return on equity which is 8.24% in 2012. In 2013, there is a sudden increase of 16.60% in the rate of return which was also the second highest among the computed return on equity within the stated five (5) years.

Graph 1

Working Capital Structure of BASC for the Fiscal Year 2009-2013



Graph 1 presents the working capital structure of Bulacan Agricultural State College for the calendar year 2009-2013. Working capital is the difference between current assets and current liabilities.

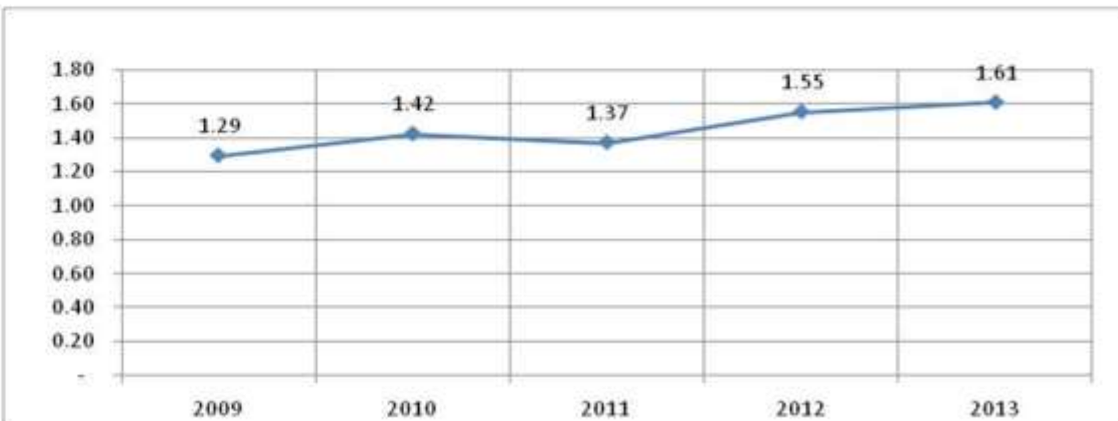
Based on the graph above, working capital of the college is only ₱5,716,818.69 in 2009 compared on a computed value of ₱7,373,115.78 in 2010. Current asset in 2010 amounted to ₱24,797,308.70 which are lower from ₱25,148,197.04 in 2009 (see table

1). The only difference that made the college more efficient in year 2010, though having their current assets reduced, is their ability to manage their liabilities over their resources. Current liabilities in year 2010 amounted ₱17,424,192.92 only. If you are going to look back at table 1, current liabilities in year 2009 are higher than 2010 which amounted to ₱19,431,378.35. In 2011, it is the total opposite where there is a decrease in working capital from ₱7,373,115.78 to ₱5,734,698. In the same year, it can be noted that both the current assets and the current liabilities decreased to ₱21,147,589 to ₱15,412,891, respectively. The following year, 2012, there is a sudden increase in the working capital with a value of ₱9,533,210 accompanied by an increase both in the current assets and in the current liabilities. The highest computed working capital is ₱12,054,054.78 which took place in 2013.

It can be seen both in table 1 and graph 1 that BASC has enough short term assets to cover its short term liabilities. This implies that the college was able to pay its current obligations to other entities without facing any problems. As a rule of thumb, a ratio between 1.2 and 2.0 is an indication of having a good working capital structure. To support the computed results of the college's working capital, a better presentation of data is obtainable in graph 2 which is the calculation of the institution's current ratio. The stated rule of thumb may be used better in the next graph.

Graph 2

Current Ratio of BASC for the Fiscal Year 2009-2013



Graph 2 presents the current ratio of Bulacan Agricultural State College for the calendar year 2009-2013. Current ratio is the ratio of current assets to current liabilities. This ratio is a measure of a company's ability to satisfy its current liabilities with its current assets.

Based on the graph above, the computed current ratio is derived at 1.29 in 2009. This is because the current assets and the current liabilities of BASC in that year amounted to ₱25,148,197.04 and ₱19,431,378.35, respectively. In 2010, there is an increase in the current ratio which became 1.42 due to a noticeable decrease in the current assets and current liabilities of the college. The same happened in the subsequent year where there is a decline both in the current assets from ₱24,797,308.70 in 2010 to ₱21,147,589 in 2011 and the current liabilities from ₱17,424,192.92 in 2010 to ₱15,412,891 in 2011, yielding to a lower current ratio of 1.37 which is lower than the previous year. Although the college is under the increase-decrease dilemma in its current ratio for the past three (3) years, BASC is still able to pay their current debts because of the current assets available to satisfy such obligations. After that, a continuous increase in the current ratio from 1.55 in 2012 and 1.61 in 2013 can be noted.

This implies that the college as subsidized by the government is admirably able to properly handle the management of their resources. The results of the current ratio computation for the calendar year 2009-2013 indicate the underlying operational efficiency of BASC. To prove the ability of the college to pay its short-term debts, the rule of thumb of having a ratio of 1.2 to 2.0 which means sufficiency, can be noted in its last five (5) operational years as 1.29, 1.42, 1.37, 1.55 and 1.61, respectively.

Graph 3

Quick Ratio of BASC for the Fiscal Year 2009-2013

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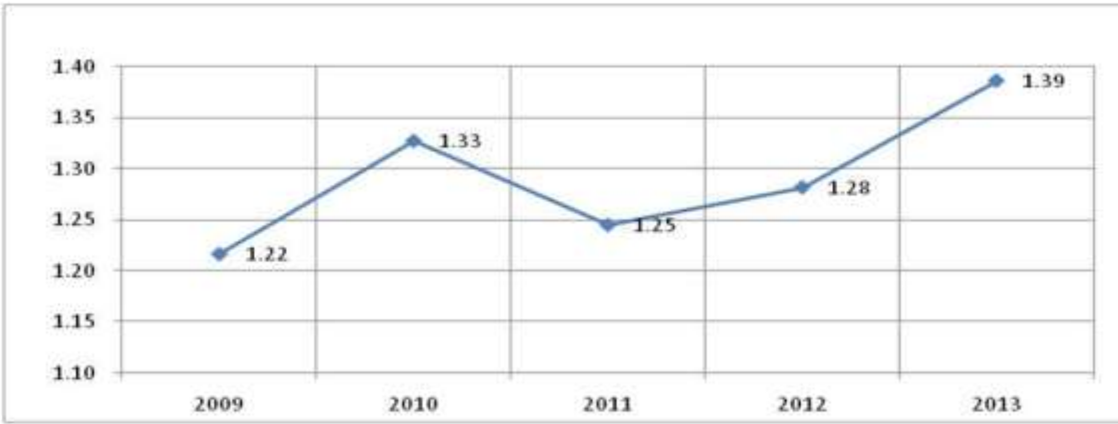


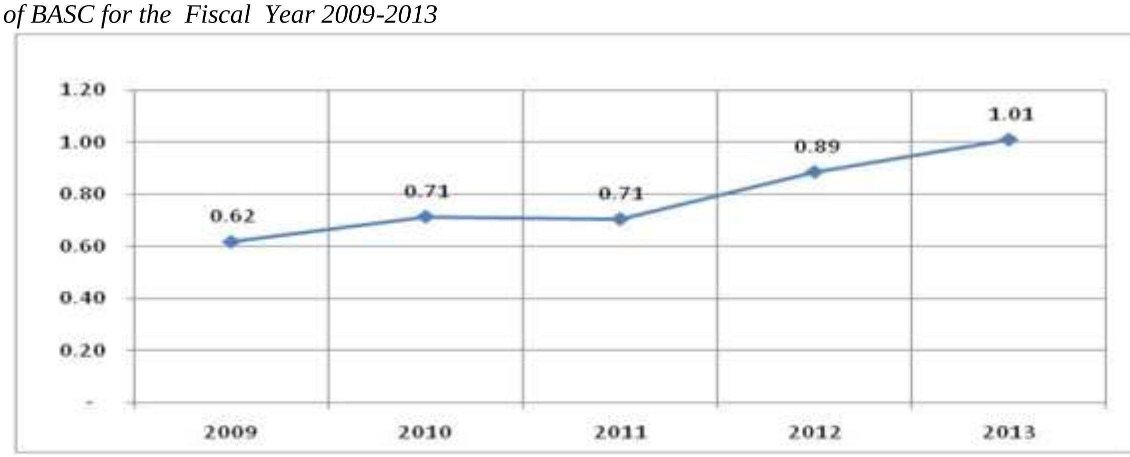
Graph 3 presents the quick ratio of Bulacan Agricultural State College for the calendar year 2009-2013. Quick ratio is a stricter measurement of liquidity. It is similar to the current ratio except that only quick assets like cash and cash equivalents, receivables and marketable securities are used instead of all the current assets.

Based on the graph above, the computed quick ratio of the college is 1.22 in 2009 which is lower compared to 1.33 in 2010. The decrease in the current assets and increase in the inventory which respectively amounted to ₱24,797,308.7 and ₱1,665,106.41 in addition to the decrease in their current liabilities which amounted to ₱17,424,192.92 augment the quick ratio's value in 2010 (see table 1). In 2011, quick ratio decreased from 1.33 to 1.25 due to a decrease both in the current assets from ₱24,797,308.7 to ₱21,147,589 and in the current liabilities from ₱17,424,192.92 to ₱15,412,891 while having an increase in the college's inventory ₱1,665,106.41 to ₱1,956,110 (see table 1). The quick ratio in 2012, though all the figures increased, is 1.28 which is higher compared from the previous year. In the following year, there is a continuous build up in the quick ratio which resulted to 1.39 and is the highest compared to the previous years due to an increase in the current assets and current liabilities accompanied by a decrease in the college's inventory.

This only means that 2013 is the most liquid year for the college weighed against the prior years, but that doesn't mean that they are not able to pay their obligations for the last four (4) years. In fact, BASC is seen to be very liquid throughout the years.

Graph 4

Cash Ratio of BASC for the Fiscal Year 2009-2013



Graph 4 presents the cash ratio of Bulacan Agricultural State College for the calendar year 2009-2013. Cash ratio is an extreme liquidity ratio since only cash and cash equivalents are compared with the current liabilities. It measures the ability of a business to repay its current liabilities by only using its cash and cash equivalents and nothing else.

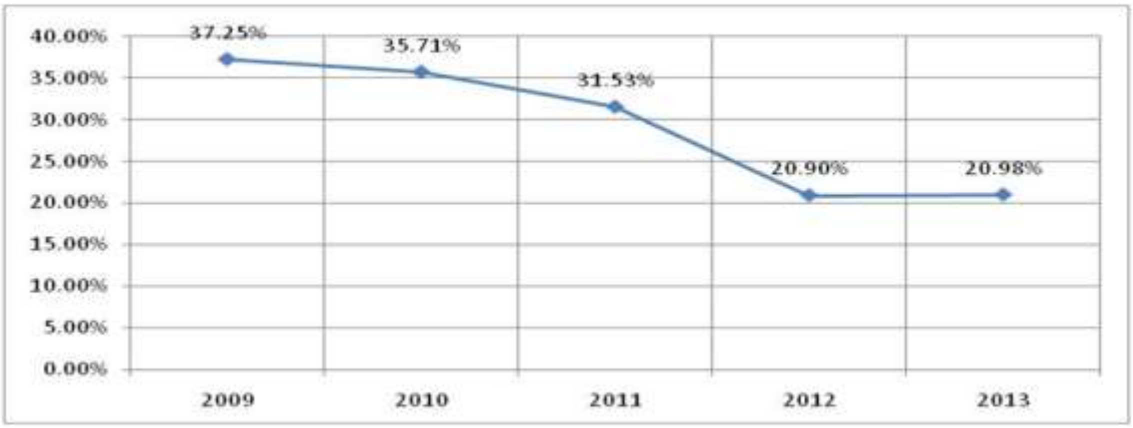
Based on the graph above, the cash ratio of the college is only 0.62 in 2009 compared to the cash ratio in 2010 and 2011 which is both 0.71 though figures between the said two years are totally different. It can be reviewed in 2010 that there is an increase in cash which is ₱12,451,205.73 and a decrease in 2011 which amounted to ₱10,885,012 and current liabilities in both year is

₱17,424,192.92 and ₱15,412,891 correspondingly (see table 1). In 2012, the cash ratio is 0.89 which is a little higher than the preceding year because the cash move up to ₱15,284,724 and the current liabilities also increase but only a little which amounted to ₱17,252,530 (see table 1). The cash ratio in 2013 is 1.01 which became the highest compared to the cash ratio from the previous years due to an increase in cash to ₱19,981,717.83 and current liabilities to ₱19,792,376.11 of the college (see table 1).

Just as with the continuous increase in the cash ratio of BASC for the last five (5) years, this entails the availability of enough cash and cash equivalents when needed by the college especially when the payment of debts is involved.

Graph 5

Debt Ratio of BASC for the Fiscal Year 2009-2013



Graph 5 presents the debt ratio of Bulacan Agricultural State College for the calendar year 2009-2013. Debt-to-assets ratio is a measure of the proportion of assets that is financed with debt (both short-term and long-term debt).

Based on the graph above, the debt ratio of the college is only 37.25% in 2009 which is lower compared to the debt ratio in 2010. The debt ratio in 2011 decreased from 35.71% to 31.53% due to a decrease in both the college's total liabilities to ₱19,959,924 and total assets to ₱63,302,882 (see table 2). Though there is an increase in the liabilities in 2012, the debt ratio decrease to 20.90% due to a continuous boost in the total assets of the college. In 2013, the computed debt ratio is 20.98% which is higher compared to the prior year.

The uninterrupted decline in the debt ratio means that they are less dependent on leverage or money borrowed from other entities which implies a strong equity position against the credit obligation of the college institution. Though an increase of 0.08% in 2013 occurred, that does not make a difference in BASC's good position in terms of its debt ratio.

Graph 6

Equity Ratio of BASC for the Fiscal Year 2009-2013

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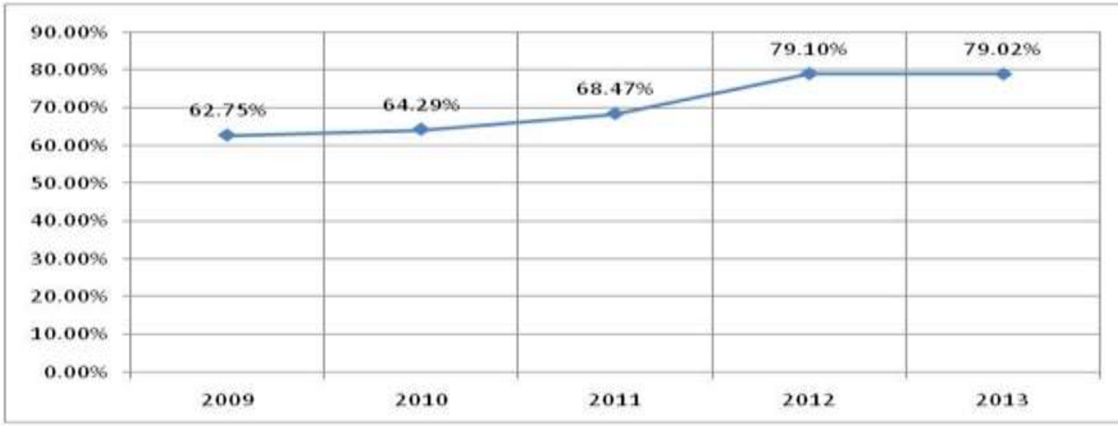


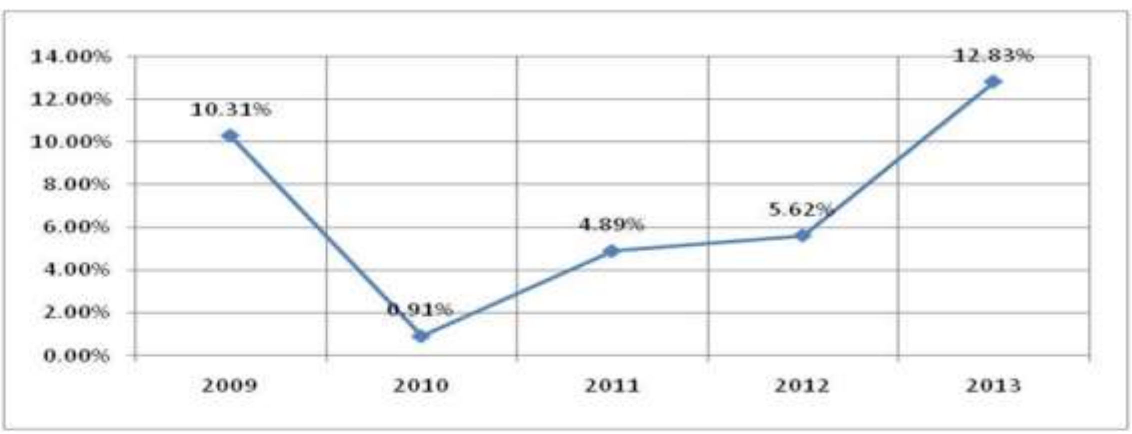
Graph 6 presents the equity ratio of Bulacan Agricultural State College for the calendar year 2009-2013. The equity ratio is an investment leverage or solvency ratio that measures the amount of assets that are financed by owners' investments by comparing the total equity of the company to the total assets.

Based on the graph above, the equity ratio of the college is only 62.75% in 2009 which is lower compared to the equity ratio of 64.29% in 2010. This is due to the increase in the owner's equity from ₱39,506,352.08 to ₱41,030,244.59 and in the total assets from ₱62,955,730.43 to ₱63,824,437.51 (see table 2). In 2011, a boost in the equity ratio which is 68.47% can be noted. Sudden increase in the equity ratio occurred in 2012 with a percentage of 79.10% which has the highest value followed by 79.02% in 2013 which is the second highest among the previous years.

The continuous improvement in both the owner's equity and total assets in the subsequent years indicates the stable financing growth of the college that even if only a little portion of their operating funds are coming from the outside financing, they can still carry on the operation of the institution. This is one of the advantages of being a subsidy of the government. Even so, for additional information, the college is encouraged by the government to engage in income generating projects to augment their budget and use the income for their own operation.

Graph 7

Profit Margin of BASC for the Fiscal Year 2009-2013



Graph 7 presents the profit margin of Bulacan Agricultural State College for the calendar year 2009-2013. Profit margin, also known as net profit margin, is a ratio of profitability calculated as net income divided by revenues, or net profits divided by sales. It measures how much out of every peso of sales a company actually keeps in earnings.

Based on the graph above, the profit margin of the college in 2009 is 10.31% but has a dramatic decline in 2010 which resulted in 0.91% on the return due to the decrease in net income and revenues in 2009 and 2010 from ₱6,727,919.31 to ₱576,035.82 and from ₱65,285,362.50 to ₱63,451,655.91, respectively (see table 3). Although there is a decrease on profit margin in the previous year, the college recovered in 2011 at 4.89% with an increase in the net income amounted to 3,777,810 and in revenues amounted to ₱77,183,646 (see table 3). A continuous improvement will be seen in the following last two years as a result of an abrupt increase in the net income from ₱4,963,837 in 2012 to ₱13,604,685.48 in 2013 and at the same time from ₱88,271,670 to ₱106,007,520.19 in terms of revenues (see table 3). Profit margin is 5.62% and 12.83%, respectively.

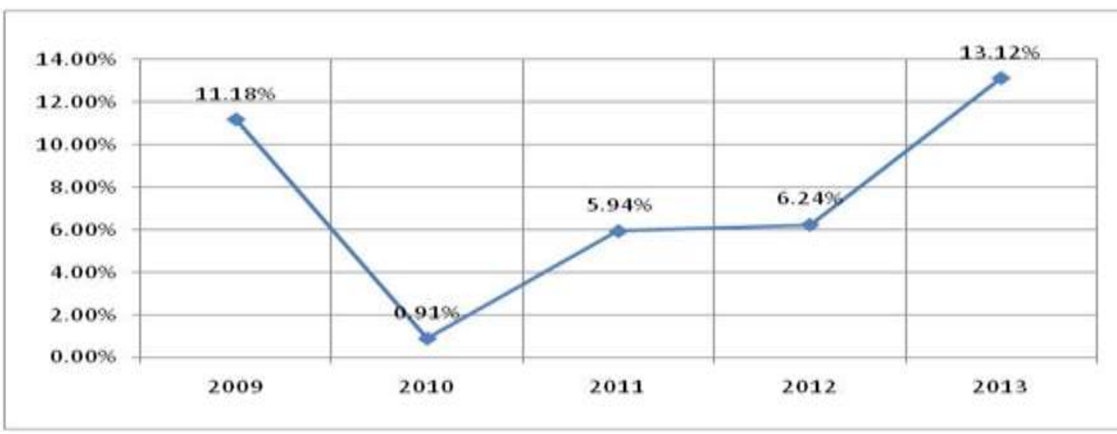
Looking at the earnings of the institution doesn't tell the entire story. Increased earnings are good, but an increase does not mean that the profit margin is improving. Likewise, decreased earnings do not always denote a poor management by college. For instance, if BASC has costs that have increased at a greater rate than the sales, it leads to a lower profit margin. This is an indication that costs need to be under better control.

The above statement may or may not be true for the college since it is a fact that the institution does not operate for profit. Looking back in the earlier discussion in Chapter 1, it is noted that Bulacan Agricultural State College aims to be a premier institution responsive to the ever changing needs of the community, producing quality graduates and appropriate technologies which are locally directed but globally competitive. Knowing this, the profit earned through the proposed projects of the college as encouraged by the government is of big help to sustain their operation in view of the fact that the state cannot longer give a 100% financial support to all the state universities and colleges in the country.

Given this piece of information, a little percentage in the college's profit margin would mean a minimal amount added in their funds plus the subsidy coming from the government. On the contrary, the higher the percentage, the more efficient is BASC in producing income out of their institutional projects which may imply that for a peso of service rendered by the college, they were able to produce profit margin that will help them increase or decrease service activities depending on their sales return from income generating projects and other related ventures.

Graph 8

Return on Total Assets of BASC for the Fiscal Year 2009-2013



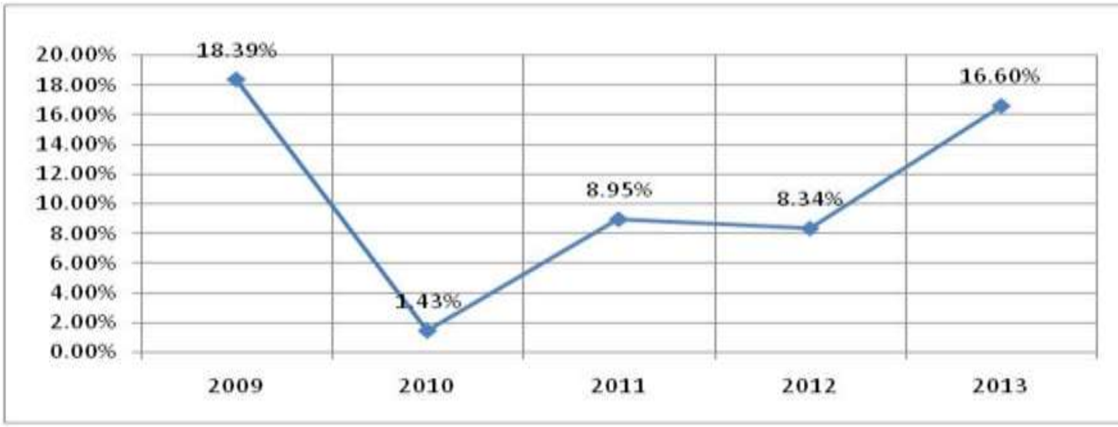
Graph 8 presents the return on total assets of Bulacan Agricultural State College for the calendar year 2009-2013. Return on assets is the ratio of annual net income to average total assets of a business during a financial year. It measures efficiency of the business in using its assets to generate net income.

Based on the graph above, the return on total assets in 2009 is 11.18% compared to 2010 which suddenly decline to 0.91% because of the net income of ₱576,035.82 and average total assets of ₱63,390,083.97 (see table 3). Although there is a decline in 2010, their net income in 2011 increased up to ₱3,777,810 and the average total asset is ₱63,563,600 which created an increase in return on total assets of 5.94% (see table 3). On a continuous basis, year 2012 and 2013 both have augmented in the rate of return on total assets from 6.24% to 13.12%, respectively.

A high rate of return on total assets means that the assets are being used profitably by the business. Since BASC being subsidized by the government, a low rate of return on total assets does not mean they are not able to maximize the use of their resources. In fact, having even a little percentage of it would mean a lot to the college because this implies that by the use of the funds provided by the government, they were still able to produce projects which will help them generate profits as additional source of funding for future projects and other educational improvements such as the establishment of new buildings, installation of new electronic structure like the enrollment system, and the like.

Graph 9

Return on Equity of BASC for the Fiscal Year 2009-2013



Graph 9 presents the return on equity of Bulacan Agricultural State College for the calendar year 2009-2013. Return on equity is an important measure of the profitability of a company. Higher values are generally favorable which means that the company is efficient in generating income on new investment.

Based on the graph above, the computed return on equity of the college for the last five (5) years changed overtime and is in an up and down dilemma. The rate of return on equity is 18.39% in 2009 and is 1.43% in 2010 which made a downward slope due to a decrease in the college's net income from ₱6,727,919.31 to ₱576,035.82 and an increase in the average owner's equity from ₱36,590,773.26 to ₱40,268,298.34, respectively (see table 3). After a sudden decrease in the rate of return on equity in the previous year, an abrupt increase of 8.95% can be noted in 2011. On the contrary, although there is an increase both in the net income and the average owner's equity in 2012, there is a 0.41% decline in the rate of return on equity which is 8.34%. From the previous year's rate of return in equity, an increase occurred in 2013 which came to be 16.60%, the highest compared to the past four (4) years.

Since BASC is subsidized by the government, it is better to make judgment in a different perspective. Just like what have been said in due course, the college receives funds from the government. So even if return on equity is not much high, they can still continue to operate. The only difference of having a good rate of return on their equity is the college's ability to generate funds from other sources like the income generating projects which the government encourages them to engage for additional funding. In short, the higher the return on equity, the more successful will the other funding sources generate income for the college which they use in their operation as an institution.

Based on the data presented, the researchers proposed a five-year development plan to enhance the financial performance of the college in the future.

Among the computed financial ratios used to evaluate the financial performance of Bulacan Agricultural State College, profitability ratio is the most noticeable since there is an abrupt decline in 2009 taken together the profit margin, return on total assets and return on equity which measures how much out of every peso of sales the college actually keeps in earnings.

As repeatedly stated in this study, the impact of whether having a high or low profitability percentage, the college can still continue to operate through the use of the government subsidies generally provided to fund their function as an educational institution. By having improved income generating projects will help BASC increase profits which they can use in the development scheme of the institution such as the installation of new enrollment system, establishment of new buildings, improvement of old facilities and others. This is in connection with the growing population of students in all the universities and colleges including BASC. As this phenomenon happen, the assurance of better financial support from the government is not guaranteed.

With due respect, the researchers have also searched for another college institution with the same field, which is the Central Bicol State University of Agriculture (CBSUA), a service-oriented state university that was further encouraged by the government to develop creative ways of generating income to cope with budgetary shortfall. The following development plans which are patterned in the "Five Year University Development and Strategic Plan" of CBSUA (2014) are derived which Bulacan Agricultural State College can adopt to improve its profitability:

1. Develop land utilization schemes to optimize utilization for income generating and agri-business projects;
2. Streamline project implementation and the proper monitoring and evaluation of projects;
3. Develop project proposals and business plans for funding of government financing institutions;
4. Encourage participation of teachers and students of departments and colleges in the implementation of projects; and
5. Strengthen the marketing program of the agri-business projects.

Given all the above strategies to improve the financial performance of the college, BASC shall increase income by 50%; utilize land resource by 85%; develop and implement 5 agri-industrial enterprises; diversify income generating projects; increase capacities in enterprise and agri-business management; streamline project management and monitoring; establish funding arrangements for at least 2 projects; and increase participation of departments and colleges through innovative project implementation arrangements.

Conclusions

Since understanding the vision-mission of a company before conducting a ratio analysis to evaluate its financial performance, the stated vision-mission of Bulacan Agricultural State College help the researchers to have a sound judgment on its financial performance for the calendar year 2009-2013. Bulacan Agricultural State College endeavours to be a center of development/excellence in agriculture, arts and sciences, forestry, teacher education and entrepreneurship responsive to the national goals of food security, poverty alleviation, sustainable development, global competitiveness and people empowerment. Its vision is to be a premier institution responsive to the ever changing needs of the community producing quality graduates and appropriate technologies which are locally directed but globally competitive.

The financial statements of Bulacan Agricultural State College have been prepared in conformity with generally accepted state accounting principles and reflect amounts that are based on the estimates and informed judgment of management with an appropriate consideration to materiality. Though there are differences in some of the financial statements' decimal presentation, the researchers are still able to compute for the financial ratios including liquidity ratio, solvency ratio and profitability ratio which are most needed to complete the study and have a good judgment in the college's financial performance for the calendar year 2009-2013.

Bulacan Agricultural State College, with the results of the computed ratios under liquidity ratio, has been seen to be very liquid for the calendar year 2009-2013. The college was able to pay its short-term liabilities using its assets without facing any problems. As subsidized by the government, this indicates that the institution is admirably able to properly handle the management of the use of their resources such as cash and cash equivalents. The continuous increase in the cash ratio of BASC for the last five (5) years entails the availability of enough cash and cash equivalents when needed by the college especially when the payment of debts is involved.

The solvency ratio of Bulacan Agricultural State College has a positive result as their debt ratio have an uninterrupted decline throughout the said five (5) years. This means that the college is not dependent on leverage or money borrowed from other entities which implies a strong equity position against the credit obligation of BASC. As to its equity ratio, a continuous improvement in both the owner's equity and total assets indicates the stable financing growth of the college that even if only a little portion of their operating funds are coming from the outside financing, they can still carry its operation. This is one of the advantages of receiving subsidy from the government. The college is also encouraged by the government to engage in income generating projects to augment their budget and use the income for their own operation which made a better result in the equity position of BASC.

Knowing the vision of Bulacan Agricultural State College, as a service-oriented institution, it is given that the college will not be able to have a high rate of profitability and the profit earned through their proposed projects as encouraged by the government is of big help even only little in percentage since the state cannot longer uphold a 100% financial support for BASC being part of the so-called state universities and colleges.

Recommendations

In light of the foregoing findings of the study, the following recommendations were offered for consideration:

1. Enhancement of the college's financial statement presentation. Bulacan Agricultural State College must observe proper arrangement of accounts name and must be in an orderly way for future comparative statement. The college should also observe the

Relevance Principle which prescribes that the information must be reported promptly and must be understandable to enable statement users to reach a conclusion and make a decision.

2. Continuation of proper management in terms of college's position on liquidity and solvency since BASC has been seen to be very efficient in handling their financial resources as to the payment of liabilities to outside creditors using their assets including cash and cash equivalents.

3. Institutionalization of income generating projects by venturing on viable profitable investments to improve the earning status of the college in preparation for future needs in funds for the development projects of the institution, especially in case of subsidies' insufficiency provided by the government.

4. Utilization of unused lands of BASC like planting of catch crops and high value crops to earn additional income to augment the financial needs of the college.

5. Work for a win-win solution among informal settlers as the researchers learned that there are families, who by nature, are illegally residing in the land property of BASC by requiring payments as rentals for the land they occupy with the approval of the board of trustees.

6. Maintenance of the established greenhouse to produce crops that are out of season which will also be of help to increase the funding sources of the college.

7. Moreover, exposure of students in entrepreneurial undertakings aside from the usual agricultural business activities will sharpen their business perspectives and will aid the needs of BASC for human resources to manage the income generating projects directed to improve the profitability of the institution.

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