

Health sector accounting system – A conceptual analysis of Biocon pharmaceuticals.

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Abstract:

Health sector is largely associated with all these 3 major sectors, the financial transactions of each of the sectors are different.

So, it is not possible to record their transactions as per single accounting standard. Hence, it is necessary to have different accounting standards applicable to these organizations individually.

To ensure this, it is necessary to have standards which are applicable to health sector to account for their financial transactions. The paper investigates the company's performance.

Key terms:

Accounting standards, financial transactions, health sector, single accounting standard, public sector accounting system.

Introduction:

The pharmaceuticals industry in the health care sector includes companies engaged in the research, development, or production of pharmaceuticals.

Biocon Pharmaceutical is one of the leading pharmaceutical companies manufactures and distributes raw materials, patent medicines, chemicals, vaccines and more.

Literature review:

- Amanda Rischbieth, George Serafeim, and Katie Trinh (2021): The title of the research was “Accounting for Product Impact in the Pharmaceuticals Industry”: the goal of the study is to give a methodology that allows to calculate impact estimates of accessible product provision and efficacy among other factors and decision making on industry specific areas.
- Hadal Hammour (2017): The title of the research was “Accounting Information Systems in Healthcare – A review of the Literature”: A analytical study on the significance of having systems of computerized accounting within hospitals.

Objectives of research:

- 1) To explore the past financial performance of Biocon pharmaceutical company.
- 2) To check if there is any gain in the current financial position.

Problem statement:

Null hypothesis

Researchers take the hypothesis that Biocon pharmaceutical company has generated a large amount of profit nowadays due to the rise in new infections and affixation people spend more on their medicine so there will be gain in the company's profit because of rapid infection spreading.

Research methodology:

- Types of data: Secondary data
- Data collection: data collected from the annual report of the company.
- Analysis tool: income and comparative statement analysis.

Data collection:

Data that are required to analyze the financial growth of Cipla pharmaceutical company is collected from the annual report released by the company itself.

Research analysis and interpretation:

BIOCON Income Statement Analysis

BIOCON Income Statement 2021-22

No. of Mths Year Ending		12 Mar-21*	12 Mar-22*	% Change
Net Sales	Rs m	71,431	81,840	14.6%
Other income	Rs m	6,052	6,891	13.9%
Total Revenues	Rs m	77,483	88,731	14.5%
Gross profit	Rs m	13,147	13,827	5.2%
Depreciation	Rs m	7,151	8,142	13.9%
Interest	Rs m	577	676	17.2%
Profit before tax	Rs m	11,471	11,900	3.7%
Tax	Rs m	2,215	2,115	-4.5%
Profit after tax	Rs m	9,256	9,785	5.7%
Gross profit margin	%	18.4	16.9	
Net profit margin	%	13.0	12.0	

Interpretation:

- Net profit during the year is declined from 13.0% in FY21 to 12.0% in FY22.

BIOCON comparative Statement Analysis

Comparing the balance sheets of 2021 and 2022

BIOCON Balance Sheet as on March 2022

No. of Mths Year Ending		12 Mar-21*	12 Mar-22*	% Change
Networth	Rs m	74,728	82,284	10.1
Current Liabilities	Rs m	42,101	38,280	-9.1
Long-term Debt	Rs m	29,616	39,985	35.0
Total Liabilities	Rs m	182,146	201,007	10.4
Current assets	Rs m	76,004	83,823	10.3
Fixed Assets	Rs m	106,142	117,184	10.4
Total Assets	Rs m	182,146	201,007	10.4

Interpretation:

- Overall, the total assets and liabilities for FY22 stood at Rs 201 billion as against Rs 182 billion during FY21, thereby witnessing a growth of 10%.

Findings:

The researchers came out with these key findings,

- The company's financial position is increased from 2021 to 2022 as a result of improvement in its profitability.
- Since the net profit is positive, the future performance of the company should be improved to a higher level.
- With the drop in the debt ratio in 2022, this is a positive scale for the company and beneficial for the future of the company.

4. The company's current financial situation indicates that the company's situation can be managed with assets that do not require the company to borrow from the market.

5. A company can support its debts and profits.

6. The business is more profitable because it can meet all the requirements on its own.

7. The company can better control its cost and products with the help of an increase in net profit margin.

8. The financial position of the company is in the good stage so the company doesn't borrow anything from the market.

Recommendations (Suggestions):

The researchers recommend the company focus on these points,

- The company must maintain its current debt ratio.
- the company's financial position is unpredictable, the company must properly maintain and manage its financial position.
- Companies should focus more on return on investment.

Limitations of the study:

1. The time taken to do this inquisition is less.
2. During this inquisition, many ratio analysis tools were not taken into consideration
3. The above-mentioned interpretation, findings, and recommendations are only based on the researcher's standpoint.

Conclusion:

According to the analysis conducted, the researcher discovered that the company has had a profit boost since the 5 years. Researcher had theorized that the rise in allergies and infections was to blame for the increase in the company's profit.

The current ratio has increased from the prior year during the course of the consecutive years 2022 and 2021, which shows that the business is making money. When a company's debt-to-equity ratio declines, it means that it has sufficient assets and doesn't need to borrow money from the market.

Also, the rising current ratio demonstrates that the corporation continues to have more assets than liabilities. Thus, the researcher's hypothesis is true.

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