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COVER PAGE AND DECLARATION

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1. Introduce

The purpose of this study is to investigate Soflogic Life Insurance (SLI) to be able to evaluate the performance of a company through a critical analysis of the company's published financial statements. The study has annexed the published financial data for the past four years from a company and composed a thorough analysis of the company's operations and performance health.

The study first carries out a performance evaluation by analysing the following performance measures: Profitability, Efficiency, Short-term Solvency, Long-term Solvency, and Market-based Ratios.

Following that heading, the study suggests recommendations for improving the company business based on SLI's financial health. Thereafter, the study recommends one new investment project for the company. Thereafter it evaluates the investment project using NPV and WACC. Finally, the study decides whether or not the company should pay return earnings or not.

1.1. Business background

In the year 2000, it established itself as insurance covering business under the name Asian Alliance. Following a long period of development, the organization was bought by Softlogic Holding (PLC) in 2011, which is regarded as one of Sri Lanka's most well-established, active, and reputed conglomerates that have dabbled in a variety of ventures (Softlogic Life, 2022). Following SLH's acquisition, the officially recognized Asian partnership was re-established and renamed 'Softlogic Life Protection (PLC)' in the first quarter of 2017 (Softlogic Life, 2022).

The extent of insurance benefits offered at SLI is divided into four basic orders: life/wellness based protection, speculation, annuity, Bancassurance, and Micro life coverage administrations (Softlogic Life, 2022).

2. Performance Evaluation

2.1. Profitability

Profitability ratios are accounting measurements used by specialists and financial backers to assess and evaluate an organization's ability to pay in proportion to income, accounting report resources, operational expenses, and investors' value throughout time (Atrill and McLaney, 2015). They illustrate how well a company uses its resources to create value for its investors (Atrill and McLaney, 2015).

Table 1: Profitability Ratios based on (Softlogic Life, 2021; Softlogic Life, 2020; Softlogic Life, 2019; Softlogic Life, 2018)

| For the year ended 31 December | 2021 | 2020 | 2019 | 2018 |
|--------------------------------|--------|--------|--------|--------|
| Revenue (LKR Mn) | 20,053 | 15,660 | 12,531 | 10,005 |
| ROCE | 73.50 | 38.60 | 50.40 | 45.10 |
| Profit before tax (LKR Mn) | 2,900 | 2,000 | 3,000 | 2,050 |
| Return on Equity (%)* | 23.1 | 21.3 | 39.72 | 22.74 |
| Earning yield | 7.9 | 11.7 | 15.44 | 19.87 |

2.2. Efficiency

Efficiency ratios are measurements used to evaluate an organization's ability to generate revenue by successfully utilizing its assets, such as capital and resources (Atrill and McLaney, 2015). The ratio serves as a link between expenses and revenue, effectively demonstrating how much money or profit a company may make from the money it spends to run its business (Atrill and McLaney, 2015).

Table 2: Efficiency Ratios based on (Softlogic Life, 2021; Softlogic Life, 2020; Softlogic Life, 2019; Softlogic Life, 2018)

| For the year ended 31 December | 2021 | 2020 | 2019 | 2018 |
|--------------------------------|-------|-------|-------|-------|
| Revenue/Employee (LKR Mn) | 20.46 | 17.45 | 15.56 | 12.18 |
| Net Income Per Employee | 2.95 | 2.22 | 3.27 | 2.49 |
| Debt to Equity Ratio (%) | 26.98 | 21.90 | 11.73 | 10.03 |
| Total Asset Turnover | 0.58 | 0.64 | 0.79 | |

2.3. Short-term Solvency

The short-term solvency ratio is used to evaluate a company's current financial situation by dividing the resources recently consumed by the profit or loss produced in the company (Atrill and McLaney, 2015).

Table 3: Liquidity Ratios based on (Softlogic Life, 2021; Softlogic Life, 2020; Softlogic Life, 2019; Softlogic Life, 2018)

| For the year ended 31 December | 2021 | 2020 | 2019 | 2018 |
|--------------------------------|------|------|------|------|
| Current Ratio (Times) | 2.35 | 3.25 | 4.06 | 2.74 |

2.4. Long-term Solvency

The absolute resource of the organization separated by the total liabilities or obligation commitments on the lookout is the long-term dissolvability proportion (Atrill and McLaney, 2015). The long-term dissolvability ratio could take a year or more to adjust to changing circumstances (Atrill and McLaney, 2015).

Table 4: Gearing Ratios based on (Softlogic Life, 2021; Softlogic Life, 2020; Softlogic Life, 2019; Softlogic Life, 2018)

| For the year ended 31 December | 2021 | 2020 | 2019 | 2018 |
|--------------------------------|------|------|-------------|-------------|
| Debt to Asset Ratio (%) | 7.8 | 8.6 | 100% Equity | 100% Equity |
| Debt to Equity Ratio (%) | 28.9 | 28.7 | 100% Equity | 100% Equity |
| Interest Cover (Times) | 17.9 | 14.2 | - | - |
| Equity Asset Ratio (%) | 27.0 | 30.0 | 40.0 | 38.0 |

2.5. Market-based Ratios

The market esteem ratio can help in assessing the financial health of public companies and can help distinguish between stocks that are overvalued, undervalued, or fairly valued (Atrill and McLaney, 2015).

Table 5: Market Performance Ratios based on (Softlogic Life, 2021; Softlogic Life, 2020; Softlogic Life, 2019; Softlogic Life, 2018)

| For the year ended 31 December | 2021 | 2020 | 2019 | 2018 |
|--|-------|-------|-------|-------|
| Basic earnings per share (Rs.) | 5.61 | 4.06 | 5.79 | 8.90 |
| Net Assets per share (Rs.) | 28.24 | 26.50 | 21.92 | 17.79 |
| Price per book Value (Times) – per share | 2.51 | 1.31 | 1.71 | 2.52 |
| Dividend per Share (Rs.) | 2.50 | - | - | 1.45 |
| Dividend payout (%) | 44.6 | - | - | 16.3 |
| Dividend yield (%) | 3.5 | - | - | 3 |

3. Recommendations

3.1. Profitability

Revenue and profits are the lifeblood of a company because they allow it to pay its employees, buy shares, pay suppliers, invest in creative projects, build a new property, plant, and equipment, and be self-sufficient (Drury, 2012). Immediately analysing the profitability metrics it's evident that the company has been able to quickly recover from the COVID-19 pandemic and bounce back to stronger pre-COVID financial years, this can be due to the increased significance in health and safety with the pandemic that helped SLI operate in the insurance industry (Ref Table 1).

The profit from capital employed metric indicates how much working income is generated for every dollar invested in capital. A higher ROCE is generally preferable, as it indicates that more benefits are generated per dollar of invested capital (Ref Table 1). However, as with some other monetary ratios, calculating an organization's ROCE alone isn't enough (Drury, 2012). Other productivity ratios, such as profit from resources, return on contributed capital, and return on value, should be used in conjunction with ROCE to determine whether or not a company is a good investment (Drury, 2012).

Benefit before assessments and EBIT (earnings before interest and taxes) are two important measures of a company's productivity (Drury, 2012). Nonetheless, they offer slightly different perspectives on monetary outcomes (Ref Table 1). The main difference is that, while PBT estimates interest, EBIT is the percentage of an organization's profits before any interest or yearly expenses are paid (Ref Table 1). It is calculated by subtracting the amount of profit from the cost of products sold and operating costs (Drury, 2012).

Return on equity (ROE) is a major monetary statistic that investors can use to determine how effective management is at utilizing value support provided by investors. It considers the entire remuneration concerning the firm's value (Drury, 2012). The bigger the number, the better, but it's also important to measure related items, such as organizations that work in the insurance industry, because each industry has unique characteristics that affect its advantages and money use (Drury, 2012).

In this case, profit yield is more of a return indicator, revealing how much speculation might earn for investors, rather than a valuation metric, revealing how much investors value the insurance

industry (Ref Table 1). In any instance, a return metric like income yield can be influenced by a valuation indicator like the P/E ratio (Drury, 2012).

3.2. Efficiency

The Revenue Per Employee is a percentage of total revenue over the previous year) divided by the current number of Full-Time Equivalent representatives (Drury, 2012). This ratio, also known as the Revenue to Employee Ratio, is one of the most all-around appropriate and is frequently used to analyze firms in the insurance industry (Ref Table 2).

Benefit per representative, also known as overall gain per worker (NIPE), is a statistic that SLI may use to calculate SLI's entire remuneration divided by the total number of employees (Ref Table 2). Simply put, it tells SLI how much benefit each of SLI's employees receives throughout a specific period (Drury, 2012).

Returning to SLI's goals regularly and assessing whether there are more effective ways to achieve them is not a bad thing (Ref Table 2). For example, SLI may always manufacture a given type of item at a specific time of the month (Ref Table 2). Could it, however, help SLI's income if SLI delivered, mailed, and invoiced it earlier or later in the month? Investigate SLI's cycles and capacities thoroughly, as well as determine how SLI will measure predicted development (Drury, 2012). Observing ventures with comparable cycles - if SLI needs to acquire a coordinated IT framework, SLI should view different firms that currently use these kinds of frameworks (Weetman, 2006).

It's useful to learn how comparable firms address comparative difficulties (Weetman, 2006). This is referred to as benchmarking. Benchmarking can be on a fundamental, like-for-like level - for example, comparing energy costs between comparable firms - or it can be more practical details, such as sharing information and reviewing production and stockholding designs with different organizations SLI trust (Weetman, 2006). Benchmarking provides an additional point of view that might provide new suggestions and force to make SLI's organization more effective (Ref Table 2). When benchmarking, it's a good idea to focus on comparing regions to the key performance indicators (KPIs) you've proactively identified (Weetman, 2006). Even though there are no standard layouts for benchmarking SLI's firm, SLI could take the following steps: Choosing the aspect of SLI's business that SLI wants to improve or contrast with others (Weetman, 2006). This

could be accomplished by research procedures such as informal conversations with clients, representatives, or suppliers, centre gatherings, advertising research, quantitative examination, reviews, and surveys (Weetman, 2006).

3.3. Short-term Solvency

A current ratio of less than 1.00 indicates that the organization's commitments due in a year or less are more prominent than its resources (Ref Table 3) — cash or other short-term resources projected to be converted entirely to cash in a year or less (Hugh, David and Ellis, 2016). An ongoing proportion of less than 1.00 may appear to be concerning, yet in a strong organization, different events might harm the ongoing proportion (Hugh, David and Ellis, 2016).

A normal cycle for the organization's assortments and instalment cycles, for example, may result in a high current percentage as instalments are received, but a low current proportion as those assortments (Hugh, David and Ellis, 2016). Calculating the ongoing proportion at a single point in time may indicate that the organization is unable to meet its ongoing responsibilities as a whole (Ref Table 3), but it does not guarantee that it will be unable to do so when the instalments are due (Hugh, David and Ellis, 2016).

3.4. Long-term Solvency

The duty to resource proportion is used by financial supporters to determine whether the organization has an acceptable quantity of assets to meet its ongoing obligation commitments and whether the organization can profit from its endeavour (Hugh, David and Ellis, 2016). Loan officers use the proportion to determine how much debt the organization now owes and whether the organization can repay its present debt (Ref Table 4). This will determine whether or not additional advances will be extended to the firm (Hugh, David and Ellis, 2016). Observing the financial performance it is evident that the performance has gone down the COVID-19 outbreak in 2020 compared to 2019 (Ref Table 4).

Because the D/E ratio measures an organization's responsibility concerning the value of its net resources, it is commonly used to assess the extent to which an organization is taking duty for exploiting its resources (Ref Table 4). A high D/E ratio is typically associated with high risk; it

indicates that a firm has been aggressive in financing its growth with the obligation (Hugh, David and Ellis, 2016).

Keeping up with interest payments is a fundamental and ongoing concern for every corporation (Ref Table 4). When an organization struggles to meet its promises, it may need to acquire more or dip into its money reserve, which is far better employed to invest resources into capital resources or for catastrophes (Bhimani et al., 2008). While examining a single interest inclusion proportion may reveal a decent plan about an organization's ongoing monetary status (Ref Table 4), breaking down the interest inclusion ratio across time can typically give a far more clear picture of an organization's situation and path (Bhimani et al., 2008).

3.5. Market-based Ratios

Stocks are traded based on profit per share, therefore an increase in fundamental EPS might cause a stock's price to rise following the organization's rising income on a per-share basis (Collier, 2015).

Increasing essential EPS, however, does not imply that the company is making a more substantial income on a gross basis (Collier, 2015). Organizations can repurchase shares, reducing their stake in the outcome and spreading total pay less preferred rewards across less common proposals (Ref Table 5). Fundamental EPS may rise regardless of if outright profit falls due to a decrease in normal offer count (Collier, 2015).

Another consideration for fundamental EPS is its departure from weakening EPS (Ref Table 5). Assuming that the two EPS measurements become further distinct, it may indicate that there is a strong chance for present regular investors to be weaker from now on (Collier, 2015).

Net resource esteem per share (NAVPS) is the total market value of the asset's speculations, unending cash reciprocals, receivables, and accumulated pay (Ref Table 5). Liabilities include both current and long-term liabilities, as well as all accumulated costs such as employee pay rates, utilities, and other operational costs (Drury, 2012). The total amount of expenditures may be large because board fees, circulation and promoting costs, move specialist charges, and overseer and review expenses may all be included.). Especially in 2020, the market performance has declined due to COVID-19 (Ref Table 5).

DPS is associated with a few monetary measurements that consider a company's profit instalments, such as the payout percentage and maintenance proportion (Ref Table 5). Given the definition of payout proportion as the amount of money distributed as profits to shareholders (Drury, 2012), DPS may be calculated by multiplying a company's payout proportion by its profit per share (Ref Table 5). The EPS of a company, which is equal to total profit divided by the number of exceptional offers, is typically effectively open through the organization's pay explanation (Collier, 2015). In the meantime (Ref Table 5), the maintenance proportion relates to something different from the payout proportion in that it measures the number of an association's earnings that are held and thus not distributed as profits (Collier, 2015).

This concept of overseeing parts of the pie generates a few intriguing potential results. Although most companies can profit from attempting to increase their share of the pie (Ref Table 5), some may conclude that they have reached the point when projected expenses and risks outweigh anticipated gains (Drury, 2012). The authors suggest certain techniques that these groups should consider while attempting to deal with their portions of the entire insurance industry (Drury, 2012).

4. Investment Project

4.1. Recommended Investment Project

Estimating advancement enables SLI to assess whether it is performing the necessary activities related to the development of the board interaction in truly achieving results (Butterfield, 2016). This is because advancement is a critical cycle that requires SLI's investment in cash, time, and assets, so before taking the plunge facing such a huge challenge, it should distinguish if a development project is monetarily feasible, which can be surveyed (Butterfield, 2016).

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The perfect capital structure supports SLI in determining the best blend of value and obligation support (Butterfield, 2016), which aids in increasing an organization's acceptable worth by limiting its capital expenditures. To ensure that the investors' worth is reached, a larger ROI is offered (Butterfield, 2016).

4.2. NPV

The DCF and NPV are calculated using two discounting factors of 10% and 20%, respectively, in the table below. During the calculation, in determining the financial viability of the proposed innovation, consider the IRR, PI, payback period, and ROI.

Table 6: Discounted Cash Flow

| Year | Cash outflow | Cash Inflow | NCF | Discount factor | Discounted cash flow | Cumulative cash flow | Discount factor | Discounted cash flow |
|----------|------------------|------------------|----------------|-----------------|----------------------|----------------------|-----------------|----------------------|
| | | | | 10% | | | 20% | |
| 0 | (925,000) | - | (925,000) | 1 | (925,000) | (925,000) | 1 | (925,000) |
| 1 | - | 220,000 | 220,000 | 0.909 | 199,980 | (725,020) | 0.833 | 183,260 |
| 2 | | 245,000 | 245,000 | 0.826 | 202,370 | (522,650) | 0.694 | 170,030 |
| 3 | (50,000) | 375,000 | 325,000 | 0.751 | 244,075 | (278,575) | 0.579 | 188,175 |
| 4 | | 390,000 | 390,000 | 0.683 | 266,370 | (12,205) | 0.482 | 187,980 |
| 5 | - | 360,000 | 360,000 | 0.621 | 223,560 | 211,355 | 0.402 | 144,720 |
| | (975,000) | 1,590,000 | 615,000 | | 211,355 | | | (50,835) |

Based on the preceding cash flow table, it is judged possible for SLI to proceed with the 10% discount factor, since it generates a positive NPV of USD 211,355, as opposed to the negative NPV from the 20% discount factor (Bhimani et al., 2008).

4.3. WACC

| | | |
|--|-----------------------|-----------------------|
| Financed by Debt | = USD 555,000 | |
| Debt weightage | | |
| 555,000/925,000 x 100 | = 60% | |
| Cost of debt is | = 6% | |
| Cost of debt is tax deductible by | = 30% | |
| | = (1 - 0.30) | |
| | = 0.7 | |
| | = 0.7 * 0.6 | |
| | = 0.42 * 100 | = 4.2% Debt after tax |
| Weighted Average Cost of Debt | = 4.2% * 0.60 | = 2.52% |
| | | |
| Financed by Equity | = USD 370,000 | |
| Equity weightage | | |
| 370,000/925,000 x 100 | = 40% | |
| Cost of equity is | = 12% | |
| Equity is not tax detectable | | |
| Weighted Average Cost of Equity | = 12% * 0.40 | = 4.8% |
| | | |
| Weighted Average Cost of Capital (WACC) | = 2.52% + 4.8% | = 7.32% |

The WACC for the proposed innovation project is 7.32%, after the combination of both tax deducted debt & equity.

4.4. Source of Financing

According to Table 6, at the limiting variable of 10%, the proposed project is considered in making a positive cash flood of 211,355 USD, with an advantage record of 1.16 per cent, IRR of 18.06 per cent, which is twofold that of the WACC 7.32 per cent, from this it can be gauged that the proposed improvement is seen as unimaginably appropriate and is likely to ensure an enormous level of pay and efficiency for SLI (Bhimani et al., 2008). Furthermore, as evidenced by the assessment completed in Table 6, the level of ROI for the first and second fiscal years is assessed to be unquestionably poor and under the breakeven point (Bhimani et al., 2008).

$$\text{IRR} = 10\% (211,355/211,355-50,835)*(10\%-20\%)$$

$$\text{IRR} = 18.06\%$$

Irrespective, after the proposed advancement has appeared in the mainstreamed market in the third fiscal year Table 6, the level of efficiency and return is considered in showing an unusual turn of events, and by the fifth fiscal year, where the proposed progression is at its boosted activity (Table 7), the level ROI is viewed as someplace on various occasions more conspicuous than IRR and practically on various occasions more unmistakable than WACC (Bhimani et al., 2008). This demonstrates that the recommended improvement is very feasible and will most likely guarantee a dependable and exceptionally elevated level of pay and efficiency Table 7 to SLI inside a reward period of 4 years and 12 months.

Table 7: 5-Year ROI Calculations

| Year | 1 | 2 | 3 | 4 | 5 |
|--------------------|----------------|----------------|----------------|----------------|----------------|
| Opening investment | 925,000 | 740,000 | 555,000 | 370,000 | 185,000 |
| NCF | 220,000 | 245,000 | 325,000 | 390,000 | 360,000 |
| Deprecation | (185,000) | (185,000) | (185,000) | (185,000) | (185,000) |
| Net return/profit | 35,000 | 60,000 | 140,000 | 205,000 | 175,000 |
| ROI | 3.78% | 8.10% | 25.20% | 55.40% | 94.50% |

In Table 6, it can be observed that the planned development is thought to have a supported growth rate in benefits over a 5-year time frame, as well as a productivity record of 1.16 per cent, indicating that the project is likely to be financially feasible and probable to ensure solid investor esteem (Bhimani et al., 2008). Indeed, the proposed development is unlikely to provide a higher return than WACC and IRR in the first two years of operation in terms of boosting investor confidence

(Table 7). However, by the time the development reaches the mainstream market in the third fiscal year, the planned development is thought to be demonstrating an exceptional level of ROI development to investors (Table 7), which is thought to be superior to WACC and IRR (Bhimani et al., 2008). As a result, it's reasonable to assume that the planned innovation is aimed at delivering exceptional and persistent investor value while ensuring consistent growth in ROI and benefit (Bhimani et al., 2008).

The degree of obligation gets is just 1/3 of the overall speculation at a loan cost of 6% for the generally recommended advancement, and since the WACD is only 1.68 per cent, the degree of income provides the business is likely to face is considered genuinely little (Atrill and McLaney, 2015). Another possible indicator of favourable earnings growth for SLI is its solid recompense term, which is only 4 years and 1/2 months (Atrill and McLaney, 2015).

Payback Period of Investment = 4 year + (12,205/223,560) (Based on Table 1)
= **4 Years and 1/2 Months**

Furthermore, SLI, by incorporating all of the proposed suggestions into its IMP, could assist SLI in overseeing the development of the proposed project on the most/most noteworthy effective and useful premise (Atrill and McLaney, 2015), thereby lowering the overall expense associated with the venture, and thus increasing efficiency, proficiency, and revenue minutes as all waste and failures within the NPD interaction are eliminated. (Atrill and McLaney, 2015)

5. Pay Return Earnings Decision

Return earnings are a portion of an organization's profit that is kept or deducted from overall profit at the end of a reporting period and set away for use as investor value later. Held profits are also an important component of an investor's worth that helps a company determine its book value. The benefit obtained for a period is referred to as total compensation (Weetman, 2006). It is calculated by subtracting each of an organization's work-related expenses from its revenue. operating expenditures such as loan instalments, leasing, utilities, financing, and miscellaneous expenses, may be included (Shepherd, 2015). Other expenses that might be removed from income to arrive at a net profit include venture losses, obligation interest instalments, and assessments (Shepherd, 2015).

The primary component of a held income estimation based on an occasional announcing premise is a net gain. Because it sits at the bottom of the pay explanation and provides specifics on an organization's income after all costs have been paid, it is frequently referred to as the major concern (Hugh, David and Ellis, 2016). Any net profit that isn't distributed to investors at the end of a reporting period is considered retained profit. The held revenue is then persisted in the monetary record and accounted for as such under-value (Hugh, David and Ellis, 2016). It's important to remember that retained income represents a growing balance within an investor's asset report value (Hugh, David and Ellis, 2016). When unrecorded profit is accounted for on the financial statement, it becomes part of the total book value of the company (Hugh, David and Ellis, 2016). The value of the held profit on the asset report can fluctuate over many quarters or years due to accumulation or utilization (Shepherd, 2015).

6. Conclusion

When considering the proposed development, SLI should consider not only monetary benefits such as market intensity, recognition, staff retention, and morale, as well as non-monetary benefits such as positive corporate symbolism, working on the nature of an offering, expanding product range, and emphatically positioning itself in the SLI to support its serious position as the third-largest insurance provider in the SLI. Furthermore, simply evaluating the ratio to determine the project's reasonableness is insufficient; a strategical appraisal should be considered by thoroughly understanding the feasibility of the venture with the organization's assets and capabilities, as well as the appropriateness of the market given the changing climate in the new standard, and in measuring and qualifying the project with partners in gaining their acceptance.

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Prentice Hall

Appendix – Income Statement

| For the year ended 31 December | 2021 Rs. '000 | 2020 Rs. '000 | 2019 Rs. '000 | 2018 Rs. '000 |
|--|-------------------|-------------------|-------------------|-------------------|
| Gross written premiums | 20,053,302 | 15,660,116 | 12,531,283 | 10,005,733 |
| Net Written Premiums | 18,195,507 | 13,787,500 | 11,539,828 | 9,279,175 |
| Other revenue | 2,775,629 | 2,276,114 | 1,584,114 | 953,383 |
| Net income | 20,971,136 | 16,063,614 | 13,123,942 | 10,232,558 |
| Net insurance benefits and claims | (5,902,068) | (3,566,797) | (2,996,112) | (2,339,004) |
| Net acquisition cost | (4,050,033) | (3,269,454) | (2,968,714) | (2,044,220) |
| Expenses | (3,909,935) | (3,497,047) | (3,385,862) | (3,253,983) |
| Operating surplus before transfer to insurance provision - Life | 7,109,100 | 5,730,316 | 3,773,254 | 2,595,351 |
| Change in insurance contracts liabilities | (4,143,426) | (3,599,969) | (1,169,696) | (1,500,589) |
| Profit before tax | 2,965,674 | 2,130,347 | 2,603,558 | 1,094,762 |
| Income tax (expenses) / reversal | (860,806) | (608,864) | (430,715) | 2,241,483 |
| Profit for the year | 2,104,868 | 1,521,483 | 2,172,843 | 3,336,245 |

Appendix – Balance Sheet

| As at 31 December | 2021 Rs. '000 | 2020 Rs. '000 | 2019 Rs. '000 | 2018 Rs. '000 |
|-------------------------------------|-------------------|-------------------|-------------------|-------------------|
| Assets | | | | |
| Intangible assets | 1,356 | 404 | 444 | 2,089 |
| Property, plant and equipment | 617,745 | 660,928 | 675,468 | 619,059 |
| Right of use assets | 616,417 | 752,393 | 408,044 | - |
| Deferred tax assets | 675,164 | 1,621,904 | 2,230,768 | 2,750,962 |
| Investments in subsidiary | - | - | - | - |
| Financial investments | 34,217,429 | 27,367,792 | 14,910,744 | 12,065,241 |
| Loans to life policyholders | 224,198 | 234,462 | 224,672 | 161,001 |
| Reinsurance receivables | 231,587 | 323,288 | 188,131 | 154,802 |
| Premium receivables | 983,657 | 856,281 | 743,549 | 507,434 |
| Receivables and other assets | 993,325 | 834,388 | 923,961 | 691,109 |
| Cash and cash equivalents | 696,920 | 554,362 | 377,093 | 381,270 |
| Total assets | 39,257,798 | 33,206,202 | 20,682,874 | 17,332,967 |
| Equity and liabilities | | | | |
| Equity | | | | |
| Stated capital | 1,062,500 | 1,062,500 | 1,062,500 | 1,062,500 |
| Retained earnings | 10,453,584 | 9,290,347 | 7,764,216 | 6,275,417 |
| Restricted regulatory reserve | 798,004 | 798,004 | 798,004 | 798,004 |
| Other reserves | (1,725,658) | (1,214,604) | (1,405,801) | (1,464,958) |
| Total equity | 10,588,430 | 9,936,247 | 8,218,919 | 6,670,963 |
| Liabilities | | | | |
| Insurance contract liabilities | 21,492,757 | 17,483,705 | 10,377,102 | 9,021,521 |
| Employee benefit liabilities | 192,629 | 182,332 | 151,027 | 107,404 |
| Loans and borrowings | 3,064,994 | 2,852,245 | - | - |
| Reinsurance payables | 1,040,255 | 636,060 | 428,557 | 320,824 |
| Other liabilities | 2,588,183 | 1,890,223 | 1,330,998 | 841,833 |
| Current tax liabilities | - | - | - | - |
| Bank overdraft | 290,550 | 225,390 | 176,271 | 370,422 |
| Total liabilities | 28,669,368 | 23,269,955 | 12,463,955 | 10,662,004 |
| Total equity and liabilities | 39,257,798 | 33,206,202 | 20,682,874 | 17,332,967 |

Appendix – Cash Flow Statement

| For the year ended 31 December | 2021 Rs. '000 | 2020 Rs. '000 | 2019 Rs. '000 | 2018 Rs. '000 |
|---|------------------|------------------|------------------|------------------|
| Cash flows from operating activities | | | | |
| Profit before taxation | 2,965,674 | 2,130,347 | 2,603,558 | 1,094,762 |
| Adjustments for : | | | | |
| Depreciation of property, plant and equipment | 137,928 | 147,038 | 142,103 | 115,375 |
| Amortisation of intangible assets | 248 | 146 | 2,277 | 5,056 |
| Depreciation of right of use asset | 245,827 | 195,008 | 127,115 | - |
| Interest expenses on lease liabilities and loans and borrowings | 292,964 | 124,028 | 57,625 | 469 |
| Provision for employee benefit liabilities | 40,744 | 40,834 | 32,709 | 26,522 |
| Gain on sale of property, plant and equipment | (12,161) | - | (124,236) | (96,073) |
| Net realised gains | (392,206) | (171,253) | (231,597) | 97,996 |
| Net fair value gains | (7,560) | (464,044) | (389,938) | (271,614) |
| Net unrealised gain on foreign currency transactions | (180,388) | (18,272) | - | - |
| Net amortisation of financial investments | (837,057) | (363,338) | 6,128 | - |
| Provision / (reversal) for impairment losses on financial investments | (37,540) | 104,453 | - | 105,763 |
| | 2,216,473 | 1,724,947 | 2,225,744 | 1,078,256 |
| Change in operating assets | | | | |
| (Increase) / Decrease in loans to life policyholders | 10,264 | (9,790) | (63,671) | (20,616) |
| (Increase) / Decrease in reinsurance receivables | 91,701 | (135,157) | (33,329) | (5,254) |
| Increase in premium receivables | (127,376) | (112,732) | (236,115) | (216,613) |
| Increase in receivables and other assets | (269,420) | (428,817) | (258,961) | (306,942) |
| | (294,831) | (686,496) | (592,076) | (549,425) |
| Change in operating liabilities | | | | |
| Increase in insurance contract liabilities | 4,009,052 | 7,106,603 | 1,355,581 | 1,582,929 |
| Increase in reinsurance payables | 404,195 | 207,503 | 107,733 | 84,559 |
| Increase in other liabilities | 919,860 | 685,762 | 120,730 | 87,337 |
| | 5,333,107 | 7,999,868 | 1,584,044 | 1,754,825 |
| Net cash generated from operations | 7,254,749 | 9,038,319 | 3,217,712 | 2,283,656 |
| Gratuity paid | (40,549) | (4,881) | (6,170) | (8,884) |
| Interest paid | (230,388) | - | - | - |
| Net cash flows from operating activities | 6,983,812 | 9,033,438 | 3,211,542 | 2,274,772 |
| Cash flows from investing activities | | | | |
| Acquisition of investment securities | (32,522,481) | (28,726,008) | (25,416,374) | (19,188,609) |
| Proceeds from sale of investment securities | 26,847,462 | 17,379,095 | 23,202,189 | 16,839,209 |
| Acquisition of property, plant and equipment | (58,041) | (132,498) | (154,240) | (156,729) |
| Proceeds from the sale of property and equipment | 12,482 | - | - | - |
| Acquisition of intangible assets | (1,200) | (106) | (632) | - |
| Net cash flows used in investing activities | (5,721,778) | (11,479,517) | (2,369,057) | (2,506,129) |
| Cash flows from financing activities | | | | |
| Dividends paid to equity holders | (937,500) | - | (543,750) | - |
| Proceeds from long term borrowings | - | 2,772,300 | - | - |
| Payment of lease liabilities | (247,136) | (198,071) | (108,761) | - |
| Net cash flows (used in)/ from financing activities | (1,184,636) | 2,574,229 | (652,511) | - |
| Net increase in cash and cash equivalents | 77,398 | 128,150 | 189,974 | (231,357) |
| Net cash and cash equivalents as of 1 January | 328,972 | | | |
| | | 200,822 | 10,848 | 242,205 |
| Net cash and cash equivalents as at 31 December | 406,370 | 328,972 | 200,822 | 10,848 |