Abstract

Financial Statements and Reports as a Tool
to Evaluate the Financial Performance
of the Public Companies in Industrial Sector in Palestine
Enlisted in the Palestinian Securities Exchange
During the Period of 1998 -2000

This study has aimed to evaluate the financial performance of the public companies in the industrial sector in Palestine enlisted in the Palestinian Securities Exchange for the past three years i.e. 1998, 1999 and 2000, a total evaluation to cover several spheres such as:

1. Liquidity
2. Financial capital structure
3. Efficiency and activity
4. Profitability
5. The financial market.
6. Production management
7. Marketing management
8. Social responsibility
9. Prediction of financial failure (impediment) or stability

The analysis of the reports and the published financial statements issued by the companies in question during the respective period would be thorough and comprehensive in which tools and techniques of the well - known traditional financial analysis are used, besides the modern advancement in financial analysis.

The study has been conducted on a sample, which included all the public industrial companies numbering five and are enlisted on the Palestinian Securities Exchange Market, namely: -

El Godus (Jerusalem) Company for Medical drugs, the Company for Paint Industry, Jerusalem Tobacco Company , The Plant Oil factories' Company and The Arab Company for Cement Products. Thus the study has disclosed the following basic findings:-

1. Relatively constant stability of the financial and investment policies for the greater bulk of the industrial sector companies in Palestine enlisted in the Palestinian Securities Exchange.
2. An assumption that the general and prompt liquidity centre for the greater number of the industrial sector companies in Palestine enlisted in the Palestinian Securities Exchange is satisfactory and semi stable from a qualitative point of view and is

gradually improving (qualitatively) from one year and another during the analysis period.

3. The financial capital structure (the financial structure) in 80% of the industrial sector companies in Palestine enlisted in the Palestinian Securities Exchange runs a special low degree of a financial risk particularly in long range, besides an improvement of the capabilities of the greater bulk of the industrial sector to repay in cash the profits on their debits and on the dates these profits are due from their operational profits.
4. The decadence of the efficiency of the policies of most of the industrial sector companies in Palestine enlisted in the Palestinian Securities Exchange, followed in the management and the utilization of their assets, whether those current or fixed assets due to the reduction of the turnover of those assets during the analysis period.
5. The deterioration of the efficiency the storage policies for 80% of the industrial sector companies in Palestine enlisted in the Palestinian Securities Exchange.
6. The adoptability of most the industrial sector companies in Palestine enlisted in the Palestinian Securities Exchange of imbalanced credit policies .
7. The constant increase of profits during the analysis period and the improvements of profitability in relation to the net sales and the total investment and Owners' Equity for 80% of the industrial sector companies in Palestine enlisted in the Palestinian Securities Exchange whether from the bulk of profits or its good quality (type)
8. The deterioration of the market prices for the shares of most of the industrial sector companies in Palestine enlisted in the Palestinian Securities Exchange during the period of analysis in addition to the general weakness in the activity and size of its exchange in the Palestinian Securities Exchange, despite the general improvement of the financial performance of those companies for fear of the investors of the economic and political instability always expected in Palestine besides the fact that these companies do not follow a stable profit distribution policies .
9. A continuous and unique improvement of the performance of the production management in the use and utilization of the available production elements, particularly the raw materials for 80% of the industrial sector companies in Palestine enlisted in the Palestinian Securities Exchange.

10. The marketing management in most of the industrial sector companies in Palestine enlisted in the Palestinian Securities Exchange lack plans and clear stable marketing policies or even linked with the size of sales of those companies.
11. The prevalence of high concern, commitment and a sense of social responsibility on the side of most of the industrial sector companies in Palestine enlisted in the Palestinian Securities Exchange towards the community, environment or their staff. Whereas social responsibility towards the clients and consumers of the products of these companies has not received a worth- mentioning concern.
12. Predicting the impossibility that the companies of the industrial sector enlisted on the Palestinian Securities Exchange would not be subject to bankruptcy, financial failure and financial pitfalls in the foreseeable future according to the findings of the model, Altman & McGrough applied in this prediction , unless the economic and political environment in Palestine under whose atmosphere these companies function change into harsh and exceptional conditions beyond the control and the will of these companies .

The salient recommendations of this study are summarized in the necessity of encouraging internal and external investment in the industrial sector in Palestine and develop it through the establishment of specialized bank under the name of (The Industrial Development Bank) and the creation of a section bearing the name of (The Industrial Specifications and Measurement management) in addition to a relative reduction of the income tax, and the value added tax (VAT) for the industrial sector and levy customs duties on the imported industrial products that are locally produced, i.e. for which there are substitute national products .Besides some other recommendations related to each company individually, most importantly the necessity of establishing (a Research & development Management) in each of the companies in the Palestinian industrial sector, enlisted in the Palestinian Securities Exchange and disclosing the budget and expenses of this management in the yearly financial statements and reports for each company.