

ASSIGNMENT # 2

FINANCIAL REPORTING ANALYSIS

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Financial Highlights

Pakistan Cables Ltd

Interpretations

Vertical Analysis

Vertical analysis is a technique used in financial statement analysis to show the relative size of each account compared to the total amount. Vertical analysis expresses each item on a financial statement as a percentage of the total.

The base item is typically set to 100%, and all other items are expressed as a percentage of that base. This analysis helps in understanding the relative importance of various components of the financial statements and allows for comparison across different companies or periods.

For the years 2020, 2021 and 2022 shows the cost 98%, 94% and 92% respectively on their sales with the net loss of -1% in 2020 and profit of 4.2 and 3.9 on others. Vertical analysis of a balance sheet involves expressing each line item as a percentage of the total assets. This analysis provides insights into the composition of a company's assets and liabilities, helping stakeholders understand the relative proportion of each component in relation to the total size of the balance sheet. Similarly it shows all the sizes of each components of balance sheet with the major being equity 57% in 2020 and the current assets in 2021. All the values are listed in table.

Trend analysis

Trend analysis, also known as time-series analysis, is a method used in financial statement analysis to evaluate the changes in financial data over consecutive periods. This analysis helps identify patterns, trends, and potential areas of concern or improvement by examining the historical performance of a company. A brief overview of trend are

- Data Comparison
- Identifying Patterns and Trends
- Spotting Anomalies or Irregularities
- Forecasting Future Performance
- Comparing with Industry Benchmarks
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For example for year 2021 45% sales in a trend analysis of financial statements, it means that sales, or a related metric, accounts for 45% of a particular financial measure or the total financial statement for the given period. The 45% figure indicates the proportion of sales in relation to another variable, often total revenue or total assets, depending on the context of the analysis.

Current ratio

The current ratio, as presented in a financial statement, provides insights into a company's short-term liquidity and its ability to meet its short-term obligations.

For 2019

A current ratio of 1.84 indicates that the company has current assets amounting to 1.84 times its current liabilities. The current ratio is a measure of short-term liquidity, and a ratio greater than 1 generally suggests that the company has more current assets available to cover its current liabilities. In this case, a current ratio of 1.84 is considered relatively healthy and indicates that the company has a comfortable buffer to meet its short-term obligations. This means that for every Rs.1 of current liabilities, the

company has Rs.1.84 in current assets.

Debt-to-equity ratio

The debt-to-equity ratio is a financial metric that provides insight into a company's capital structure by comparing its total debt to its shareholders' equity. The debt-to-equity ratio indicates the proportion of a company's financing that comes from debt compared to equity. A higher ratio suggests a higher level of financial leverage, meaning the company relies more on debt to finance its operations.

For 2022

A debt-to-equity ratio of 0.19 indicates that the company has a relatively low level of debt compared to its equity. This suggests a conservative capital structure with a higher proportion of financing coming from equity. A lower debt-to-equity ratio is generally considered less risky, indicating a reduced financial leverage and potentially a more stable financial position.

Return on Equity

Return on Equity is a financial metric that measures the profitability of a company in relation to its shareholders' equity. It provides insights into how effectively a company utilizes its equity to generate profits. ROE indicates how efficiently a company generates profits from the equity invested by its shareholders. A higher ROE is generally considered favorable as it suggests effective management of resources to create shareholder value.

For 2020

A Return on Equity (ROE) of -1.9% indicates that the company incurred a net loss during the period, resulting in a negative return for shareholders. This negative ROE suggests that the company's profits were insufficient to cover the equity invested by shareholders, raising concerns about its financial performance and ability to generate returns for investors.

Operating cycle

The operating cycle refers to the time it takes for a company to convert its resources, such as inventory and accounts receivable, into cash through its operational activities. It involves the various stages a company goes through from the purchase of raw materials to the collection of cash from the sale of goods or services. 173, 151, 156, 147 days are required for each year respectively.