

Assignment - 12

current ratio of firm increases from 1.5 to 2.5 what would be the response of the response of the company's stock price

An increase in the current ratio from 1.5 to 2.5 indicates that a company's liquidity has improved. meaning it has more current assets relative to its current liabilities. while this can be viewed as a positive sign of the company's ability to cover its short-term obligations its effect on the stock price depends on several factors

Investor perception if Investors interpret the increase as a sign of better financial health and liquidity, it may lead to an increase in the stock price

capital allocations if the increase is due to better management of resources or growth in assets, it can be seen positively. However if it reflects the company's ability

excessive cash or not investing enough in growth opportunities, investors may view this negatively potentially causing the stock price to fall

Industry Benchmarks: the impact also depends on how the ratio compares with industry averages if the firm's current ratio aligns with or outperforms competitors, it can be favourable for stock price

overall market sentiment: Broader market conditions and external factors can influence whether an increase in the current ratio positively impacts ~~stocks~~ price

In general a current ratio within a reasonable range (typically between 1.0 and 2.0) is preferred. A very high current ratio may indicate inefficiencies, which could negatively affect stock price

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