

## Assignment-12

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

An increase in a firm's current ratio from 1.5 to 2.5 indicates that its liquidity has improved, meaning it has more current assets relative to its current liabilities. The impact on the company's stock price will depend on the market's interpretation of this change, which could be both positive or negative.

★ Positive;

Improved financial stability:-

A higher current ratio signals better financial health, indicating the company can meet short-term obligations, which may boost investor confidence and increase stock prices.

Stronger liquidity :-

A higher ratio suggests more cash or liquid assets available for growth or to navigate downturns, making the company more attractive to investors.

★ Negative :-

Inefficient Use of assets :-

A very high Current ratio may indicate that the company isn't using its assets efficiently leading investors to perceive missed growth opportunities, potentially lowering the stock price.

Over-Conservation :-

An excessively high Current ratio could suggest overly cautious operations, which may be viewed negatively in a competitive market.

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