Assignment 13

Current ratio of firm increases from 1.5 to 2.0. What could be the response of the Company's stock price.

A. Increase in the current ratio from 1.5 to 2.0 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 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 Allocation

capital allocation refers to how a company distributes its financial resources among various investment opportunities to maximize returns.

Overall market Sentiment;

refers to general attitude of investors toward a particular market or asset, reflecting perceptions, emotions and expectations about future performance.

Industry Bench Marker.

The impact also depends on how the ratio compares with industry averages. If the firm's current ratio aligns with or out perform competitors. It can be for stock price.