Assignment - 12

Current Ratio of firm increase from 1.5 to 2.5 what would be the response of the Company Stock Price

An Increase in the Current Ratio from 1.5 to 2.5 indicates that a Company's liquidity has improved Meaning it as more Current ratio asset relative to its Current Liabilities. while this Can be Viewed as a Positive sign of the Company ability to Cover it short term obligation its effects on the stock Price depends on Several factors.

Investor Perceptions

If Investors interperet the increase as a sign of better financial health and liquidity it May lead to as increases in the Stock Price

Capital Allocations

If the increase is due to better Management of resources or growth in asset it Can be seen Positively. However if is reflects the Company holding excessive Cash or not investing in growth negatively Potentitally Causing the Stock Price of fall.

Industry Bench Marker

The impact also depends in how the ratio Compares with industry average. If the firm's Current ratio aligns with or out Perform Competitors, it Can be favorable of Stock Price

Overall Market Sentiment.

Borders Market Condition and external factor Can influence whether an increase in the Current ratio Positively impacts stock Price.

In generally, 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