

Assignment - 12

current ratio of firms increase from 1.5 to 2.5 What would be the response of the company's stock price

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

Investor Perceptions:

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 one increase is due to better management or revenue or growth in assets it can be seen positively, how equity reflects the company holding equity is whether the company holding excess cash or not increasing enough in growth negatively positively lowering stock price or fall

Industry Bond market:

The impact depends in how the ratio company with industry average if the firms current ratio align with or perform comparison it one be flow for your price

overall market sentiment

Bonders market condition and envelope forces can influence when an increase in the current ratio positively impact stock price

In generally: account ratio with in a reasonable range (typically between 1.0 and 2.0) is preferred. A key high current ratio may indicate influence with could negative affect stock price

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