7TH WEEK ASSIGNMENT

Calculate the major ratios from the data available, and analyze and comment on the numbers you see. Answer the following questions

a. Is the company doing well?

b. What is the major cause of what is happening with the company, according to you?

a. \*\*Is the company doing well?\*\*

- \*\*Profitability Ratios:\*\* The operating profit ratio demonstrates significant fluctuations, with a remarkable increase in 2022 followed by a decline in 2023. The net profit ratio also shows fluctuations, with a substantial increase in 2022 but a decline in 2023. Overall, while there are periods of strong profitability, the inconsistency raises questions about the company's sustained performance.

- \*\*Return Ratios:\*\* The return on capital employed (ROCE) and return on assets (ROA) show positive trends overall, with increases from 2019 to 2022 before a slight decrease in 2023. However, the return on equity (ROE) demonstrates fluctuations, indicating variable returns for shareholders over the years.

- \*\*Efficiency Ratios:\*\* The receivable turnover ratio, asset turnover ratio, and inventory turnover ratio display mixed trends, with fluctuations indicating varying levels of efficiency in managing receivables, assets, and inventory.

- \*\*Debt Management Ratios:\*\* The debt to equity ratio exhibits a decreasing trend, indicating a reduction in the company's reliance on debt financing. However, the interest ratio shows fluctuations, suggesting varying levels of interest burden over the years.

b. \*\*What is the major cause of what is happening with the company, according to you?\*\*

- The fluctuations in profitability ratios could be attributed to various factors such as changes in market conditions, operational inefficiencies, pricing strategies, or one-time events affecting revenues and expenses.

- The varying trends in return ratios may reflect changes in the company's capital structure, investment decisions, or operational performance over the years.

- The fluctuations in efficiency ratios may indicate challenges in managing operational processes, inventory levels, or receivables collection efficiency.

- The decreasing trend in the debt to equity ratio suggests a deliberate effort by the company to reduce its debt levels, potentially to improve its financial stability and flexibility. However, fluctuations in the interest ratio indicate changes in the company's interest expenses, possibly due to changes in borrowing costs or debt restructuring.

**7TH WEEK ACTIVITY**

Use growth ratios and profitability ratio to analyze the company

|  |  |
| --- | --- |
| PARTICULAR | 2019-2023 |
| sales | 2.6% |
| Net profit | 42.6% |
| Operating profit | 2.6% |

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **Profitabilty ratio** | **2019** | **2020** | **2021** | **2022** | **2023** |
| OPERATING PROFIT RATIO | 3.06% | 7.40% | 7.81% | 59.92% | 7.43% |
|  |  |  |  |  |  |
| NET PROFIT RATIO | 0.82% | 4.08% | 4.68% | 39.39% | 4.23% |

ANALYSIS

Analyzing the company's performance based on operating profit, net profit margin, and growth analysis provides valuable insights into its financial health and operational efficiency.

Operating Profit Analysis:

The operating profit ratio measures the company's ability to generate profit from its core operations. From 2019 to 2023, the company experienced fluctuations in its operating profit ratio. Notably, there was a significant spike in 2022, where the operating profit ratio surged to 59.92% before declining to 7.43% in 2023. Such fluctuations could be attributed to various factors, including changes in revenue, operating expenses, and exceptional income or expenses. While the company demonstrated strong profitability in 2022, the subsequent decline in 2023 suggests potential challenges in maintaining consistent operational efficiency.

Net Profit Margin Analysis:

The net profit ratio, also known as the net profit margin, indicates the percentage of revenue that translates into net profit after deducting all expenses. Over the five-year period, the company exhibited fluctuations in its net profit margin. There was a remarkable increase in 2022, with the net profit ratio reaching 39.39%, followed by a decline to 4.23% in 2023. Such fluctuations suggest variability in the company's ability to convert revenue into profit. Factors such as changes in operating expenses, taxes, or non-operating income may have influenced these fluctuations. While the company demonstrated strong profitability in 2022, the subsequent decline in 2023 raises questions about its ability to sustain consistent profitability over time.

Growth Analysis:

The company's growth analysis reveals modest growth rates in sales, net profit, and operating profit over the five-year period. Sales grew at a rate of 2.6%, indicating steady but relatively slow revenue expansion. In contrast, net profit surged by an impressive 42.6%, reflecting effective cost management or increased revenue generation. Similarly, operating profit also experienced a growth rate of 2.6%, suggesting stability in operational efficiency. However, compared to the significant growth in net profit, the growth in operating profit was relatively modest. Overall, while the company demonstrated strong profitability growth, the modest sales growth and fluctuations in profitability ratios highlight the need for continued vigilance and strategic management to ensure sustained financial performance and operational efficiency.