FIN 343

Terms Paper

Write up

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Financial performance refers to a measure of how a firm can utilize its assets from its normal operations of a business to generate revenues. A company comprises of many stakeholders including employees, investors, creditors and bondholders. Every group has its interest in observing the financial performance of a company. This helps to identify how well a company generates its revenues and management of liabilities and assets. Below is an analysis of the financial performance of the company in all the four ratio categories namely; current ratio, quick ratio, debt ratio, price earnings ratio and market to book ratio.

Current ratio refers to the liquidity ratio that measures a company’s ability to pay short term obligation or those that are due within one year. From the term paper data, the current ratio in 2011 was 38,740.47, in 2012 it reduced to 33171.25, in 2013 it rose to 35,716.33, it continued to rise to 47,623.88 in 2014, it reduced to 40,432.83 in 2015, it dropped further to 30,503.59 in 2016, reduced further to 30114.31 in 2017, in 2018 it reduced to 27,345.60, reduced to 26 540.41 in 2019 in 2020 it still went down to 5249.36, the ratio went to 0.00 in 2021.

The quick ratio measures a company’s capacity to pay its current liabilities without needing to sell its inventory or obtain additional financing. From the short term data the quick ratio in 2011 was 35, 859.30, reduced to 30 458.46 in 2012, it increased to 33,100.03 in 2013, it increased further to 44,731.20 in 2014, reduced to 37,590.06 in 2015, in 2016 it reduced to 27,939.50, reduced in 2017 to 27,921.23, in 2018 it reduced to 25,249.97, reduced further to 24,571.75 in 2019, in 2020 it reduced to 4,566.29, in 2021 it reduced to 0.00.

The price to earnings ratio relates a company’s share price to its earnings per share. In 2011 the P/E is 247,957.29, in 2012 it reduced to 243,734.70, it increased to 249,336.73 in 2013, decreased to 235, 473.00 in 2014, increased to 362,819.91 in 2015, decreased to 268,075.95 in 2016, increased to 279107.51 in 2017, decreased to 233,474.52 in 2018, in 2019 it increased to 242,306.41, it decreased further to 97,809.87 in 2020.

The market to book ratio is used to denote how much equity investors are paying for each dollar in net assets. The market to book ratio is calculated by dividing the closing price to the quarter’s book value per share. In 2011 it was 64,360.42, increased to 75,583.50 in 2012, reduced to 62,266.98 in 2013, increased to 105,072.86 in 2014, increased to 1,457,563.71 in 2015, reduced to 783,348.28, decreased further to 403,079.05 in 2017, increased to 435,153.88 in 2018, increased to 2,414,287.65 in 2019 and decreased to 10,688.20 in 2020.

In conclusion, the rapid decrease of the market to book ratio from 2,414,287.68 in 2019 to 10,688.20 in 2020 calls for further investigation since that difference is too high. Also both the current ratio and quick ratio for both reduced to 0.00 in 2021 hence a need for further investigation.