DATA ANALYSIS: -

Liquidity Ratios:

1. Current Ratio:

Year	2010	2011	2012	2013	2014
Current Ratio	1.45	1.45	1.6	1.67	1.66

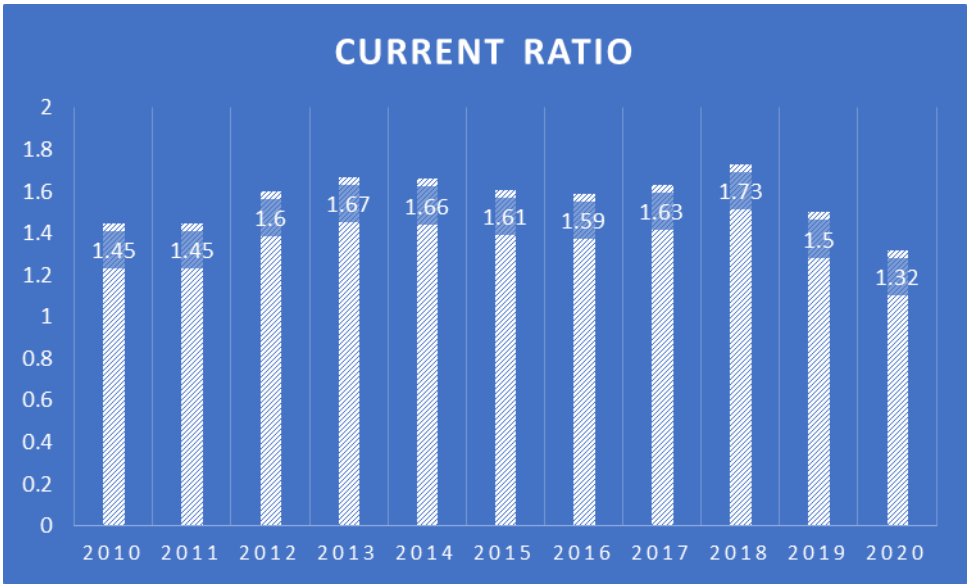
2015	2016	2017	2018	2019	2020
1.61	1.59	1.63	1.73	1.5	1.32

Working Note:

Particular	2010	2011	2012	2013	2014
Current Assets	5580410	6345835	6610072	7597104	8609278
Current Liabilities	3856858	4380545	4145228	4560245	5187249

2015	2016	2017	2018	2019	2020
10317345	10747573	11462549	11682845	11613105	10675939
6417495	6764187	7054220	6744386	7730531	8065246

GRAPHICAL PRESENTATION:



INTERPRETATION:

Current Ratio is the ratio of total current assets to total current liabilities. It is the most basic and the classic measure of liquidity. It indicates whether the business can pay the debts due within one year out of it total current assets. A satisfactory current ratio would enable a firm to meet its obligations even if the value of the current assets declines. It is however a quantitative index of liquidity as it doesn't differentiate between the components of current assets, such as cash and inventory which are not equally liquid. Current ratio is also known as "Solvency ratios" as it indicates how the expected current claims are covered by current assets.

It is calculated by dividing current assets by current liabilities.

CURRENT RATIO = CURRENT ASSETS/CURRENT LIABILITIES

Where Current assets means assets, which have been purchased in order to convert them into cash or into other current assets within a period of normally one year. These assets usually include cash and bank balance, short term investments, bills receivables, debtors, short term loans, inventories and prepaid expenses etc.

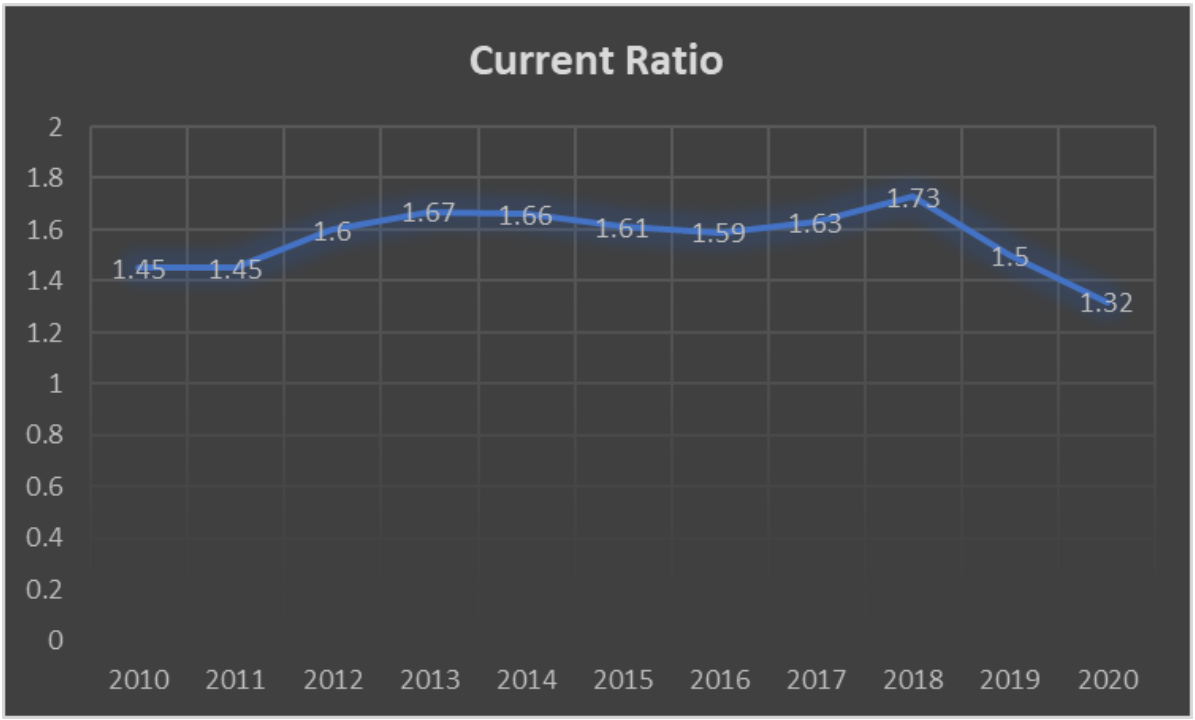
Current liabilities mean liabilities which have a short-term duration, which is normally up to one year from date of creation and are paid out of existing current assets or by creating a new current liability. These liabilities may include bank overdraft, bills payable, creditors, provision for taxation, outstanding expenses, unclaimed dividends, short term loans, outstanding interest, advance payment received and portion of a debt expected to mature within a year.

This ratio indicates the coverage of current assets to the current liabilities. In other words, it indicates the proportion of current assets available, for meeting the current liabilities. Normally it is expected that the current ratio should be 2:1 ideally, which indicates that current assets are twice as compared to the current liabilities. But There is no such thing as an ideal current ratio as different businesses and industries work with different levels of cover. Although a ratio of less than one is often a cause for concern, particularly if it persists for longer lengths of time. Also, For proper inference, the composition of current assets

should not be overlooked. If a majority of current assets are in the form of inventories, which is the least liquid asset, even a 2:1 ratio will not indicate favourable position. Similarly, a very high current ratio will also not be suitable as it will mean an excessive amount of investment has been made in current assets. This will lead to decrease in profitability as large amount of funds will be blocked in working capital.

Talking with respect to the industry, a current ratio that is in line with the industry average or slightly higher is generally considered acceptable. A current ratio that is lower than the industry average may indicate a higher risk of distress or default. Similarly, if a company has a very high current ratio compared to its competitors, it indicates that management may not be using its assets very efficiently

From the graphical representation, it can be evidently seen the current ratio for Nissan Motors has mostly been stable over the years preceding the scam. But the figure dropped in years after 2018, that is, the year of the scam breakout. Although the ratio does not match the ideal current ratio of 2:1, it is still higher than the industry average. Therefore, even after the scam broke out in 2018, the decline in the current ratio in 2019 and 2020 are not bad compared to industry standards. A decline in this ratio can be attributable to an increase in short-term debt or liabilities, a decrease in current assets, or a combination of both.



Regardless of the reasons, a decline in this ratio means a reduced ability to generate cash. In this case, it can be clearly observed from the working notes that in the post scam years, the current liabilities have increased significantly whereas there have not been major changes in the current assets: hence overall reducing the ratio due to increase in the denominator. As seen the highest current ratio was recorded in the year 2018(meaning the ratio for 2017). So things seemed pretty healthy for the company in the pre-scam years whereas in the post scam years it has only been going downhill. Generally, businesses aim to improve the current ratio in order to improve the liquidity position. But the years 2019 and 2020 have evidently not been very healthy for the company in terms of liquidity. The current liabilities have increased significantly which might be a reason for concerns especially when there have not been many changes in the current assets. But when compared to its competitors, Nissan still has an edge over them with respect to the current ratio.

2. Quick Ratio:

Year	2010	2011	2012	2013	2014
Quick Ratio	1.05	1.04	1.16	1.23	1.27

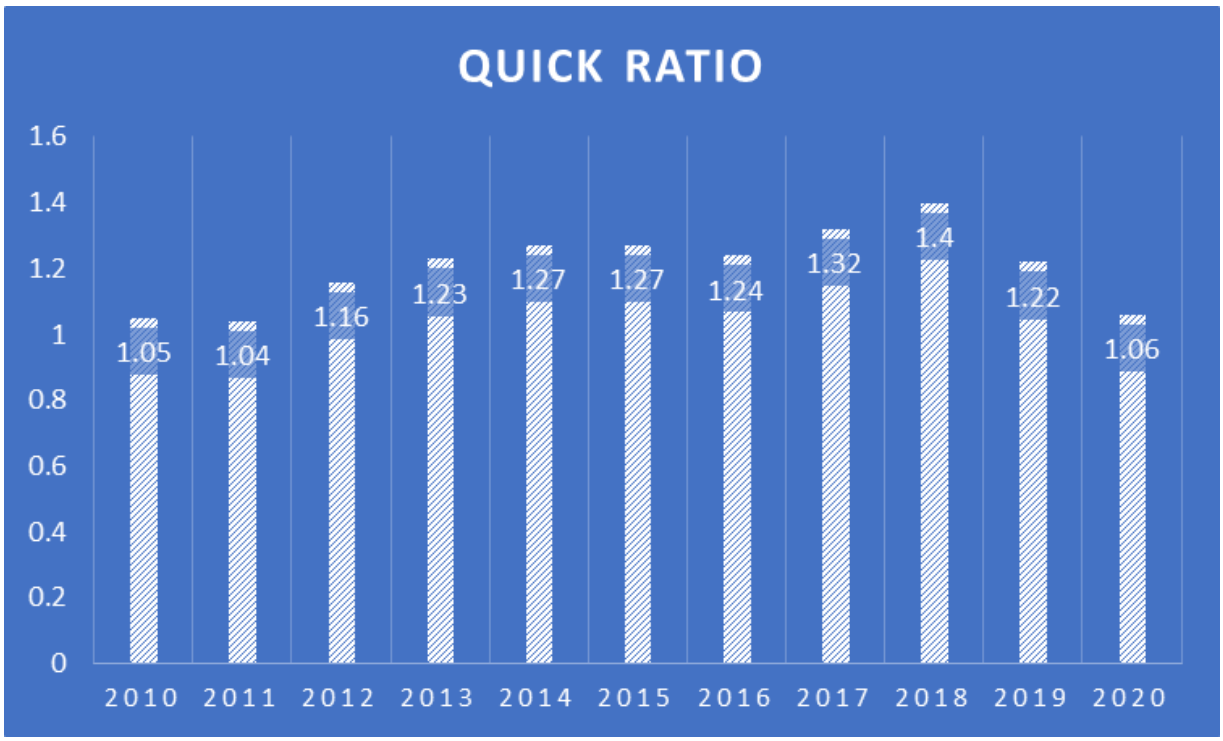
2015	2016	2017	2018	2019	2020
1.24	1.24	1.32	1.40	1.22	1.06

Working Note:

Particular	2010	2011	2012	2013	2014
Quick Assets	4048605	4560665	4817619	5619262	6596889
Current Liabilities	3856858	4380545	4145228	4560245	5187249

2015	2016	2017	2018	2019	2020
7929289	8396238	9286281	9464073	9409733	8596209
6417495	6764187	7054220	6744386	7730531	8065246

GRAPHICAL PRESENTATION:



INTERPRETATION:

The quick ratio is also called the "acid test" ratio because the quick ratio looks only at a company's most liquid assets and compares them to its current liabilities. The quick ratio tests whether a business can meet its obligations even if unfavourable conditions occur. This ratio takes into consideration the different liquidity of the components of current assets. It represents the ratio between quick current assets, and total current liabilities. It is a much rigorous measure and is considered superior to current ratio. However, both these ratios help in analysing the liquidity of a company greatly.

This ratio is a better tool to measure the ability to measure and track day-to-day commitments. It looks at how well the company can meet its short-term debt obligations without having to sell any of its inventories to do so. Inventory is the least liquid of all the current assets because you have to find a buyer for your inventory. Finding a buyer, especially in a slow economy, is not always possible. Therefore, firms want to be able to meet their short-term debt obligations without having to rely on selling inventories and hence it is not included in the calculation. It is the ratio between liquid assets and liquid liabilities. Where, liquid assets or 'quick assets' means those are that assets which are receivable within a financial year during which it comes into existence and more easily convertible into cash. Liquid or 'quick liability' means the liability which is payable within a financial year and is more quickly payable in cash. From the balance sheet, liquid assets are calculated by deducting inventories and prepaid expenses from current assets whereas liquid liabilities are current liabilities less bank overdraft.

The formula for calculation of this ratio is:

QUICK RATIO = QUICK ASSETS/CURRENT LIABILITIES

The ideal quick ratio is considered to be 1:1, which means that quick current assets should be equal to quick current liabilities, this ratio indicates whether the firm has the ability to honour its short-term liabilities or not.

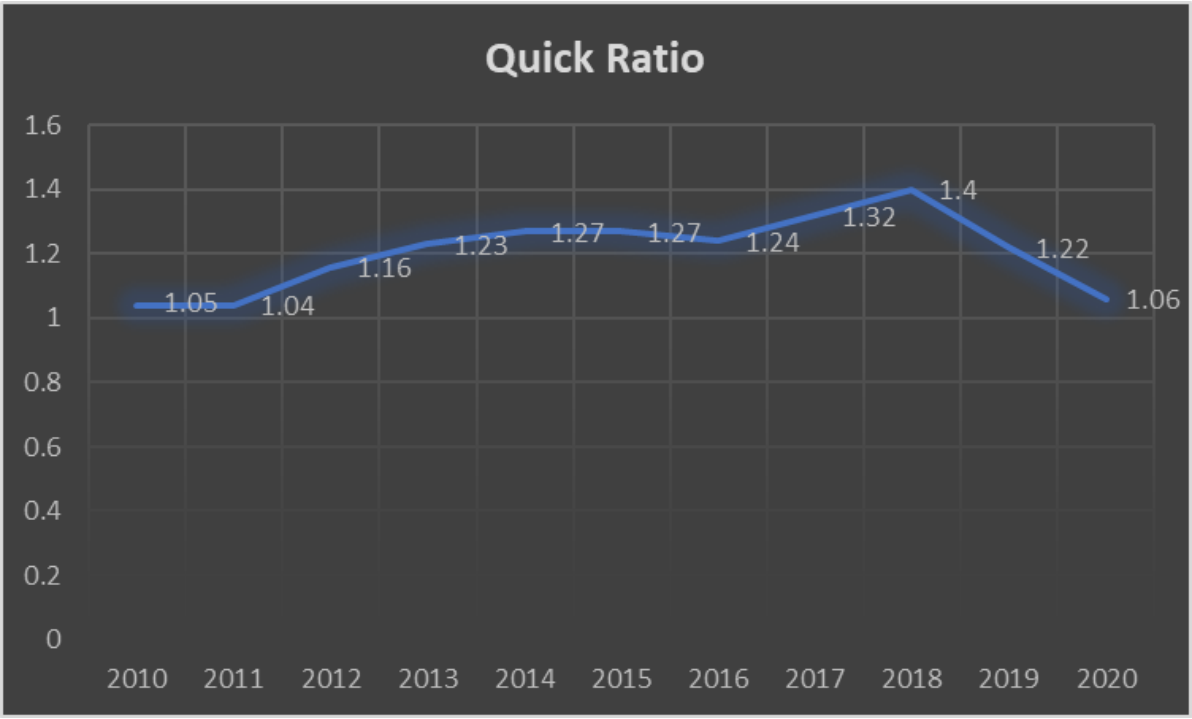
The higher the ratio result, the better a company's liquidity and financial health; the lower the ratio, the more likely the company will struggle with paying debts. Since it indicates the

company's ability to instantly use its near-cash assets (assets that can be converted quickly to cash) to pay down its current liabilities, it is also called the "Acid test ratio".

The Quick Ratio or Acid Test Ratio, which is lower than the industry average, may suggest that the company is taking a high amount of risk by not maintaining a proper shield of liquid resources. Otherwise, a company may have a lower ratio due to better credit terms with suppliers than its competitors. It is a sign of solvency of an organization and should be analysed over a time period and also in the circumstances of the industry the company controls in.

The most liquid assets available to a company are cash and cash equivalents followed by marketable securities that can be sold in the market at a moment's notice. Accounts receivable are also included, as these are the payments that are owed in the short-run to the company from goods sold or services rendered that are due.

For Nissan Motors Co., the trend observed in the quick ratio is very similar to that in the current ratio. The figures are low for the years 2010-2011 but it has gradually increased and remained stable over the subsequent years. The highest quick ratio was recorded in the year 2018(for the year 2017), that I, for the year 2017 which was the year preceding the scam. It has been a downfall since 2018 after the scam broke out and everything was in the open.



As a general rule, a quick ratio greater than 1.0 indicates that a business or individual is able to meet their short-term obligations. A low or decreasing ratio generally indicates either of these things: the company has taken on too much debt, The Company's sales are decreasing, The Company is struggling to collect accounts receivable or The Company is paying its bills too quickly. As for Nissan, the reason is a significant increase in the current liabilities and a relative decrease in the quick assets in the years 2019 and 2020. This puts the company's liquidity position in question as a consistent decrease in the quick ratio is not very favourable for the company. It shows that the company has not been able to retain its current assets figures while also not being able to control the increasing current liabilities.

When compared to the industry standards, the quick ratio of Nissan is not far behind its competitors. For example, Nissan Motors has maintained a relatively higher quick ratio than Tesla over the past years.