

# Financial Analysis Report

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## Analysis Results

Financial Analysis Report for Sample Company

1. Income Statement Analysis: - The company has two revenue streams: Service (\$2,750) and Product Sales (\$6,875) - Total revenue: \$9,625 - Operating expenses are the same for both service and product segments: \$1,360 - Net income: \$945 for both segments - Operating margin: 50.55% for service, 20.22% for product
  2. Balance Sheet Analysis: - Total assets: \$13,060 - Current assets: \$2,360 (18.07% of total assets) - Non-current assets (Equipment): \$10,700 (81.93% of total assets) - Total liabilities: \$8,895 (68.11% of total assets) - Owner's equity: \$4,165 (31.89% of total assets)
  3. Statement of Retained Earnings: - Beginning balance: \$820 - Net income: \$945 - Dividends declared: \$500 - Ending balance: \$1,265
  4. Key Financial Ratios: - Current ratio: 2.64 (Current assets / Current liabilities) - Debt-to-equity ratio: 2.14 (Total liabilities / Owner's equity) - Return on equity (ROE): 22.69% (Net income / Owner's equity) - Profit margin: 9.82% (Net income / Total revenue)
  5. Insights: - The company has a healthy current ratio, indicating good short-term liquidity - The debt-to-equity ratio is relatively high, suggesting higher financial risk - The company has a good return on equity, indicating efficient use of shareholder's funds - The product segment contributes more to revenue but has a lower operating margin compared to the service segment
- Recommendations: 1. Consider strategies to improve the operating margin of the product segment 2. Evaluate the high debt-to-equity ratio and consider options to reduce financial leverage 3. Explore opportunities to grow the service segment, given its higher operating margin 4. Monitor and optimize working capital management to maintain the healthy current ratio